

EDITORIAL

Discounters: Don't Abandon L.A. Poor

"It was better than a made-for-TV movie," someone said to me. Sad, but true.

Unfortunately, the horror of Los Angeles last month had more drama, more fires, more beatings, more shootings, more murders, and more looting than any script writer or special effects director could cram into a two-hour show.

It was real; it was numbing; it was tragic.

The acts of hundreds have destroyed the lives of millions of innocent people, leaving them without jobs, without food and without stores to shop, but hopefully not without hope.

The incidents in Los Angeles certainly touched the life of every citizen in this country. The people running out of that PayLess Shoe store with bags of merchandise or the family loading a TV set into their van will not easily be forgotten. Nor will the countless people with brooms in hand trying to make it all go away as fast as it had happened.

Now, in the aftermath of the rioting in Los Angeles, politicians and business executives are assessing ways to rebuild. One key question is: will retailers rebuild or abandon Los Angeles?

A few of the reports indicate that some retailers will simply clean the rubble and run. Yet many other retailers have emphatically stated that they will be back in business as quickly as possible (see story, page 5.) According to one published report, 1,360 of 2,411 stores in South Central Los Angeles were burned or damaged.

It will be easy for the big retail chains to rebuild, but not for

the small mom and pop stores.

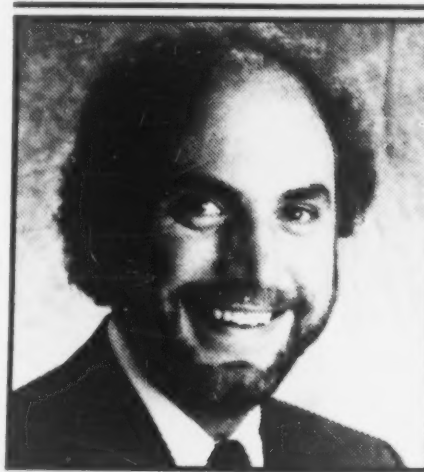
Target, Kmart, Montgomery Ward and Sears have already reopened their stores that were slightly damaged. In addition, most chains, including Fedco, Sears, Chief Auto, Pep Boys, Trak and Radio Shack and several supermarkets said that they will rebuild the stores that were demolished. However, Thrifty Drug said it is still undecided about what it will do. And many small business owners are unsure what the future will bring.

Inner city markets are perfect locations for many discount stores. Retailers should make every effort not only to rebuild their stores in Los Angeles, but to expand into more urban areas where there is a tremendous need for national brand general merchandise and food products at low prices. Furthermore, the presence of a national chain provides hundreds of jobs, products, services and a source of pride to communities in need.

There's no doubt that discounters in this country need to be more pro-

gressive in establishing urban expansion plans and should look to what other industries have done for suggestions. Many fast food chains, such as McDonald's and Kentucky Fried Chicken, have had success targeting ethnic communities. Perhaps there's a lesson or two to be learned from Z-Mart, the black-owned Florida discounter.

Whatever happens in the efforts to rebuild Los Angeles, it won't be easy. Don't be intimidated by the militant minority; be encouraged by the innocent majority.



TONY LISANTI
Editor

BUYERS & SELLERS

Regionals React Boldly to Competitive Pressure

What discount department store chain rang up \$6.81 billion in sales in 1991 (up 5% from 1990)? It has 449 stores located across the Middle Atlantic, Northeast, Midwest and Northwestern United States.

This chain's profits improved to \$161.6 million in 1991, up nearly 11% from \$145.9 million the previous year. It also opened stores in several new markets and tested several new store designs, strengthening its appeal to its core customer and making it a more formidable opponent to the Big Three discounting chains.

What's the name of this chain? The answer: ShopKo VentureCaldorBradlees.

Well, actually, I'm talking about four separate regional chains that are reacting boldly to the competitive threat of the Big Three.

Of course, the Big Three are Wal-Mart, Kmart and Target. In 30 years of existence, the trio has gobbled up nearly two-thirds of the entire \$92 billion-plus discount department store market.

It took a while, and some are not out of the woods yet, but it appears that regional discount chains are finally refreshing the look of their stores, shedding unproductive units, upgrading their distribution systems and technological abilities, and improving service to their customers.

I've previously written about how ShopKo has managed to profitably reposition itself with a new store prototype that better serves its well-educated female shopper, while at the same time improving the efficiency of its distribution network so as to be more price-competitive.

Similarly, Venture is one of the regional success stories of the year. The O'Fallon, Mo.-based discounter, which has successfully defended its Midwest turf from the Wal-Mart juggernaut over the past five years, has actually embarked upon an expansion campaign that will hit Wal-Mart and Target strongholds in the Southwest.

Caldor and Bradlees also appear to be rebounding from difficult times. Caldor has a more aggressive capital spending program that is being used to update its stores to properly showcase the generally better quality, more fashion-forward

merchandise it carries in comparison to Wal-Mart.

Bradlees last month opened eight stores that were remodeled to its new prototype (see story, page 5). Scanning at the point-of-sale has improved Bradlees checkout productivity, while loading dock operations have been greatly enhanced by direct scanning of cartons as they're received. The new prototype also enhances Bradlees' merchandising position in juvenile products, big men's clothes, health & beauty care, particularly ethnic H&BC products, party goods and art supplies, and has even upgraded a traditional Bradlees weakness—hardware.

Both Bradlees and Caldor have a high percentage of stores in densely populated urban and suburban sites which will, temporarily at least, cushion the negative impact of Wal-Mart's Northeast invasion, buying time to strengthen their operations further.

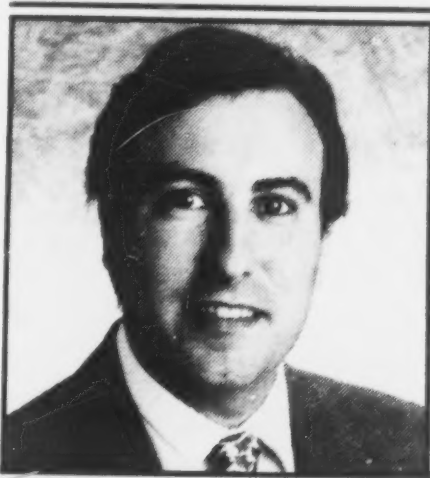
ShopKo, Venture, Caldor and Bradlees are not the only regional discount department stores fighting back. Jamesway unveiled its vision of the future this spring in Delaware. The prototype signalled a shift to soft lines, with increased space for apparel, domestics and crafts.

Three discounters who have been in Chapter 11 are also making moves. Ames recently reported its first net profit in three years, shortly after unveiling its answer to the Wal-Mart threat: a discount store with five of as many as 10 possible store-within-a-store formats.

Hills is finally putting a new face on its stores. The long-awaited remodeled unit in Pittsburgh gives a dramatic presentation to Hills' traditionally strong apparel assortments. Special treatment is given to toys, children's wear and women's sportswear, jewelry and accessories, housewares and domestics (see story, page 1).

Stuarts' president Joe Ettore also reports improved financial results due to a reduced payroll, better trafficking through its DC, and merchandising changes, such as expanded assortments of children's apparel (see story, page 6).

Regionals will always be at a disadvantage to the giants—they can't match their capital spending or low leverage. But they can survive, and thrive, by improving internal operations and repositioning stores to better serve customers' needs.



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MEXICO

The New Frontier for U.S. Discounters

More chains give the thumbs-up to expansion into Mexico, after returning from the Deloitte & Touche confab in Mexico City. An emerging middle-class, the growing availability of technology and the promise of the NAFTA were keys to their decision.

Mexico: The New Frontier

U.S. Retailers Begin Mexican Invasion

International DSN Report

The list of pros and cons of retailing in Mexico are long, but at least the lists are equally long.

The challenges include targeting a dramatically younger population than exists in the United States, trying to wedge a new store into one of a mere handful of cities, banking on the accuracy of forecasts predicting an emerging middle class, and contending with the rampant black market.

At the same time, interested retailers must also consider the

popularity of U.S. goods and stores as evidenced by cross-border shopping habits, the potential of Mexico's growing population and economy, and the importance of carving a niche in the retail landscape before competitors take root.

The verdict appears to be in: Mexico is quickly attracting a Who's Who list of U.S. retailers.

Wal-Mart, Price Co., Sears, supermarket wholesaler Fleming Cos., Oshman's Sporting Goods, Radio Shack, Blockbuster Video, furniture retailer Helig-Meyers, Woolworth and other U.S. retailers are already in Mexico, while chains like PayLess Shoesource, JCPenney, and Value Merchants are seriously considering either joint ventures with Mexican retailers or independent store openings in the country.

Marshalls, the largest off-price apparel chain in the United States, officially has no comment, but industry sources said the chain is also looking to Mexico for expansion.

Many retailers attending a recent conference on "Oppor-

tunities in Mexico," co-sponsored by DSN and Deloitte & Touche, are preparing for entry into the market.

Victor Wood Jr., senior vice president of PayLess Shoesource, said the company may "be in a position to move forward by September, but has not yet decided which method of entry will be employed."

Michael Porter, executive vice president, retail operations with Value Merchants, said he continues to seek a Mexican partner to open Value Merchant's Everything's \$1.00 stores in Mexico because the country "is definitely a growing economy."

Norina Vaira, strategic development manager with JCPenney, said the retailer is "very serious about entering Mexico," but is undecided as to whether a joint venture or independent store opening is the best path.

Woolworth Corp., which gained full ownership of Woolworth Mexicana a year ago when it purchased the remaining 51% interest in the Mexican chain, plans to open two



Gran Bazar hypermarket is a sprawling version of Cifra's Aurrera units, and even larger than the Club Aurrera format.

more Woolworth stores this year as it begins an aggressive expansion of its Foot Locker stores as well.

And while Sears in the United States has made an opposite move—selling a portion of its stock back into Mexican hands—Sears Roebuck de

Mexico is testing a discount store format called Sears Auto-Servicio and will decide within six months whether it will expand the format. Unlike U.S. Sears stores, all other Sears stores in Mexico are traditional department stores, geared toward an upscale consumer.

One look at the performance of the top 12 retail groups listed on the Mexican stock market—especially in light of U.S. retailer reports—sheds some light on why there is mounting interest in the Mexican retail market: all reported sales increases of between 18% to 26% from 1990 to 1991—even after the affects of inflation were considered.

Inflation-adjusted operating profits climbed between 19% and 26%, based on information compiled by Mexico City-based Galaz, Gomez Morfin, Chavero, Yamazaki, S.C., a member of DRT International.

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Retailers Must Avoid Pitfalls Of New Market

International DSN Report

Retailers and manufacturers eyeing Mexico for expansion will need to approach Mexican consumers quite differently than in the United States, whether they are trying to create the ideal shopping environment with high-demand merchandise or developing products and marketing campaigns to win a new customer base.

The large youth population, the vast numbers of "economically inactive" individuals and the problem of finding land in the country's few population centers at a cost that allows profitability, are some of the challenges faced by newcomers to Mexico.

While the United States is experiencing a population bulge in the older age groups, Mexico had a bulge of births: more than three

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Leading Discount Retailers in Mexico

(Sales Figures in Millions)			(Store Size in Sq. Ft.)	
Company	Sales 1991	Stores 4/92	Proj. Stores 1/93	Avg. Store Size
Grupo Cifra ¹	\$2,765	190	232	
Alamances Aurrera	1,199 ¹	36	39	67,000
Gran Bazar	NA	2	4	175,000
Club Aurrera ²	NA	2	4	82,000
Bodegaaurera	559	29	28	45,000
Grupo Gigante ^{3,7}	1,661	139	147 ⁴	
Gigante	1,620	109	NA	58,000
Grupo Comercial Mexicana ^{5,7}	\$1,414	130	135	
Comercial Mexicana	1,185	76	81	75,000
Bodega Comercial	110	13	17	75,000
Price Club de Mexico ²	NA	1	2	110,000
Blanco	\$555	93	94	43,000
Soriana	\$515	20	23	97,000
Woolworth Mexicana ⁷	NA	50	57	
Woolworth	NA	32	34	20,000
Mini Woolworth (tourist shops)	NA	6	6	1,500
Oshman's Sporting Goods ⁶	NA	2	3	8,000

¹Includes Aurrera and Gran Bazar sales.

²Joint venture with Wal-Mart, Bentonville, Ark.

³Joint venture with Fleming Cos., Oklahoma City.

⁴Assumes 3 of the projected 5 price impact supermarkets to be opened jointly by Grupo Gigante and Fleming Cos. will be completed by year-end.

⁵Joint venture with Price Co., San Diego, Calif.

⁶Licensed by Oshman's but fully owned by Fuerza Vital S.A. de C.V.

⁷Corporate totals include unlisted food and/or non-discount operations.

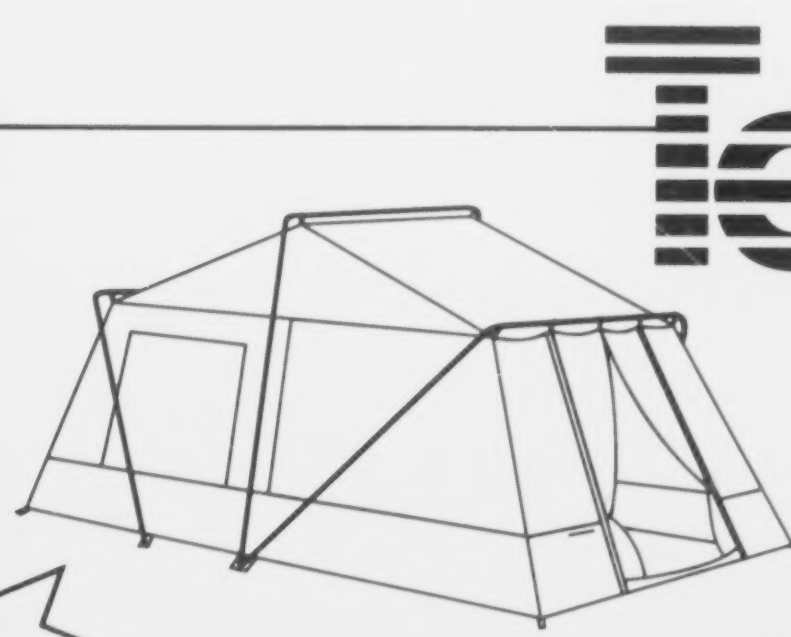
Source: DSN research

NA—Not available

Financial data expressed in U.S. dollars were converted at the rate of \$3,076.75 pesos to \$1.00 U.S., prevalent at Dec. 31, 1991.



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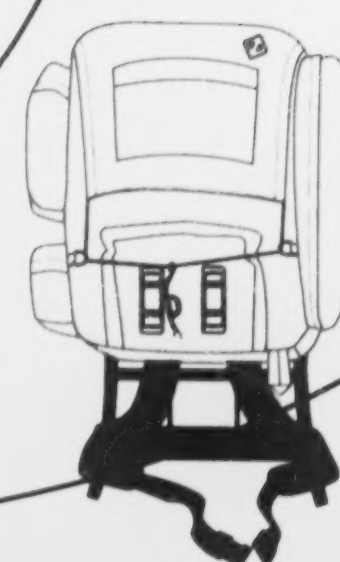


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Mexico: The New Frontier

Winning Mexico's Consumers a Challenge

(Continued from page 43)
out of ten people are under 14 years of age. Mexico also has less than half the portion of people over 45 than the United States—15% in Mexico vs. 31% here. Nearly seven of every ten people in Mexico is under 30 years old.

Mexico's population is projected to reach 100 million in the next eight years. And while only 31.5 million were said to be "economically active" in 1990, that percentage has been rising, according to Galaz, Gomez Morfin, Chavero, Yamazaki.

The large number of economically inactive people survive by farming, barter, the black market and other non-employment means.

While retailers and vendors are studying the forecasted Mexico of tomorrow, it cannot be overlooked that the Mexico of today is one where 57% of the people earn roughly \$5 to \$10 per day, and less than 5% earn more than \$30 per day, based on government statistics. But the demographic picture is said to be changing.

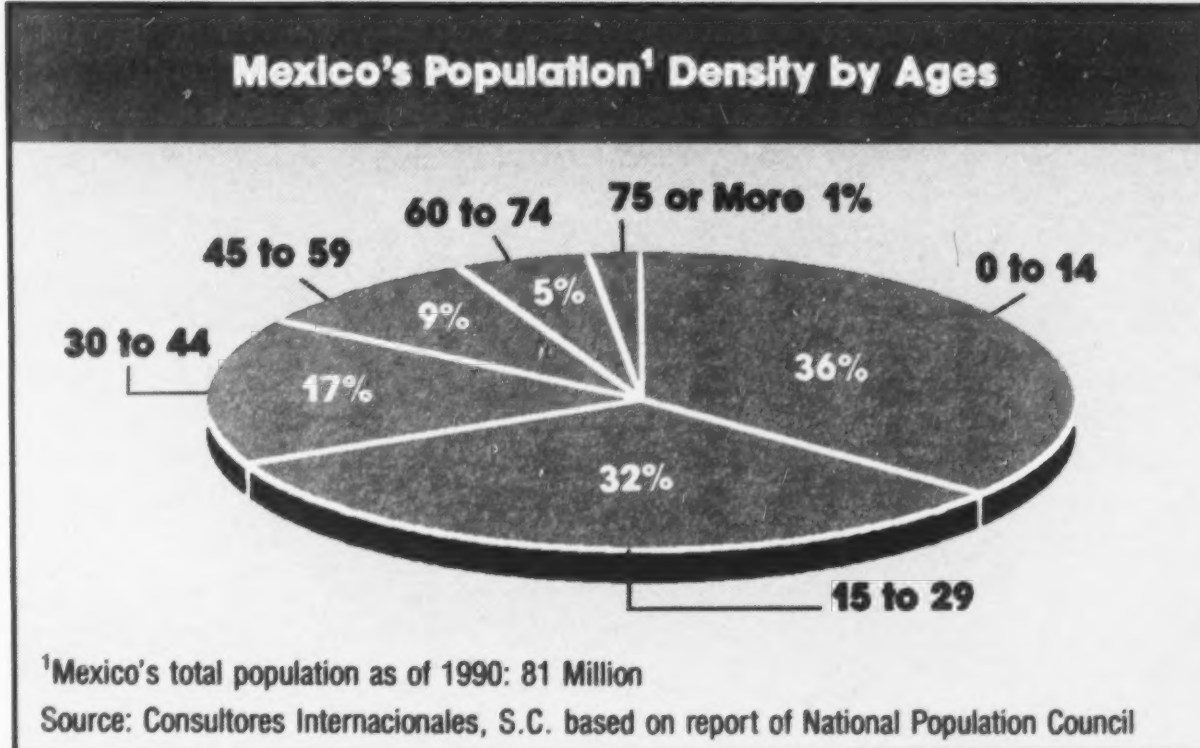
According to the official Mexican Government Statistics Bureau, Mexico is already the 14th largest economy in

the world, and is projected to be in the top ten in the next decade. And while GNP per capita in Mexico at \$2,198 is a fraction of what it is in the United States and Canada (\$18,452 and \$18,293, respectively), Julio Millan of Consultores Internacionales estimated that figure will more than double to \$4,600 in the next eight years.

Henry Davis, president of Grupo Cifra, expects to see a resurgence of Mexico's middle class. "This is the category of consumers that will be growing the most in the coming years... these are people who will start to have a more sustained, real growth in their salaries or incomes and, of course, that will increase their disposable income," he said.

Evidence of a strong middle- or upper-class customer in Mexico with a need for more than commodities was reflected in shopping behavior at the grand opening of the first Club Aurrera unit. "The hottest selling items on opening day were Mont Blanc pens, retailing for between \$100 and \$200," said Herbert Pelka Torres, director for corporate projects at Cifra.

The top-seller at Price Club de Mexico on its opening day



was a U.S.-made 18-pack of two-ply Marathon toilet paper at \$8.20, said a headquarters spokesman for Price Club de Mexico. A less expensive Mexican-made toilet paper was also available, but shoppers chose Marathon. U.S. brands have a high rate of recognition of U.S. among Price Club de Mexico shoppers; 20% of the 40,000 members hold a U.S. Price Club card and many expect to see duplication of products between the Southern California and Mexico units, the spokesman explained.

The Federal District is a key market for any volume retailer, although finding—and afford-

ing—the space is difficult.

"You can sell four times more merchandise in the Mexico City metropolitan area than any other city in the country," said Pelka of Cifra. But, as Francisco Martinez de la Vega, director of administration and finance at Comercial Mexicana noted, "Land in Mexico City can cost \$1,000 per square meter. We don't have much land free, and there are restrictions for construction in Mexico City."

All retailers with stores in Mexico City—the Federal District—are faced with both sales volume opportunities on the one hand and the high costs of

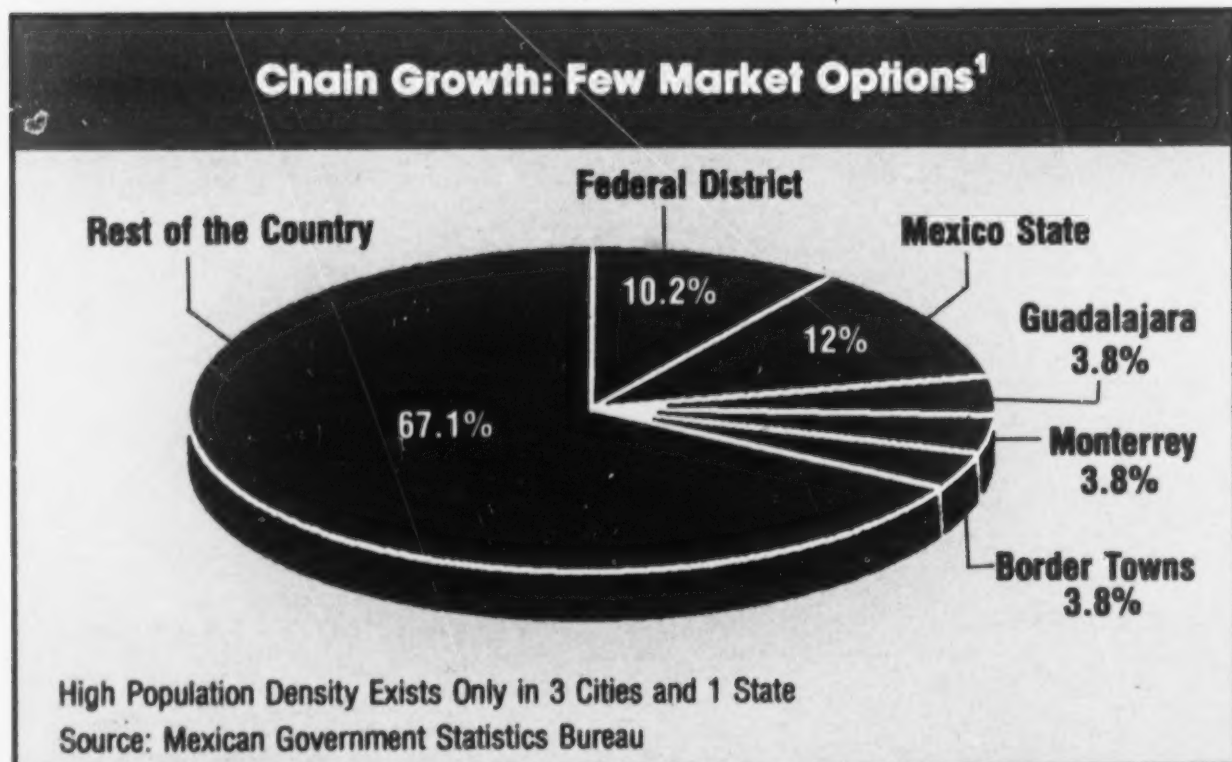
operation on the other. At 570 square miles, the sprawling Federal District is only 0.1% of Mexico's total land area, but houses more than 10% of all Mexico inhabitants.

Mexico State—which almost completely surrounds the Federal District—is 8,200 square miles and has 12% of the country's total population.

And because there is a much heavier concentration of economically active people in Mexico City than elsewhere, paying a premium for store space is often the bitter pill retailers must swallow.

Regardless of cost, most of the top retailers in the country are trying to "expand heavily now so that when the population is old enough to become actual customers, they will think of us first," Cifra's Pelka said.

Expansion in Mexico by U.S. retailers is underway for similar reasons. In addition, cross-border shopping from Mexico into the United States, and the popularity of some U.S. goods in Mexico suggest U.S. retailers are already welcomed by the Mexican shopper. Martinez of Comercial Mexicana believes that many Mexicans, "want to feel like they are shopping in the U.S."



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Mexico: The New Frontier

More U.S. Chains Line-Up for Mexico Entry

(Continued from page 43)

This is the kind of growth seen by few retailers since the discount store heyday more than a decade ago. And discounters—which are almost exclusively hypermarkets in Mexico—are commanding the lion's share of retail dollars.

To get a better idea of the dominance of chain stores in Mexico, one need only consider data that was gathered by ANTAD, the Mexican national retail association. ANTAD's 1,300 members (over 2,500 stores)—which are only 7% of total estimated retail stores in the country—account for 51% of total retail sales in the country.

But while hypermarkets are the leading force in retailing, one of its greatest competitors is the most difficult contender: the black market. Herbert Pelka Torres, director for corporate projects at Cifra, said the underground economy is estimated to be 30% of total GNP and is "one of our toughest competitors."

Jesus Gonzalez Elizondo, chief executive officer of Gsy, parent of department store chain Salinas y Rochas, estimated that as much as 35% of the electronics business in Mexico is done through the black market.

The forces of the black market coupled with stepped up competition have resulted in price erosion, especially in appliances, furniture and apparel. But while there are problems inherent in the Mexican retail world, there are elements that have the potential to work in favor of the retailer, like distributors. Unlike in the United States, Mexican retailers do not pay for store inventory until long after it is received.

Pelka explained that the company generally "pays suppliers 45 days after delivery, giving us a positive flow of working capital." Retailers from the United States who first heard of this custom during one of the sessions at the DSN/Deloitte & Touche "Opportunities in Mexico" conference, gasped.

These and other differences between retailing in the United States and Mexico are why Cifra's president, Henry Davis, recommends that U.S. companies find a Mexican partner. "This country is different . . . customs are different, values are different, laws are different. If you don't take that into account and you just try to transport your business to this country and operate the same way, it might not work," he cautioned.

A more recent development in Mexican retailing are

management information systems and other types of retail technology, now being added at some of the larger

chains. The race to be the first retailer with chainwide systems is intense.

As Pelka of Cifra put it dur-

ing an interview with DSN at Cifra headquarters, "The first chain that has the systems used in the United States will have a very significant competitive advantage."

Once technological improvements are made, retailers will be able to take enormous strides in customer marketing, expense control, inventory productivity as

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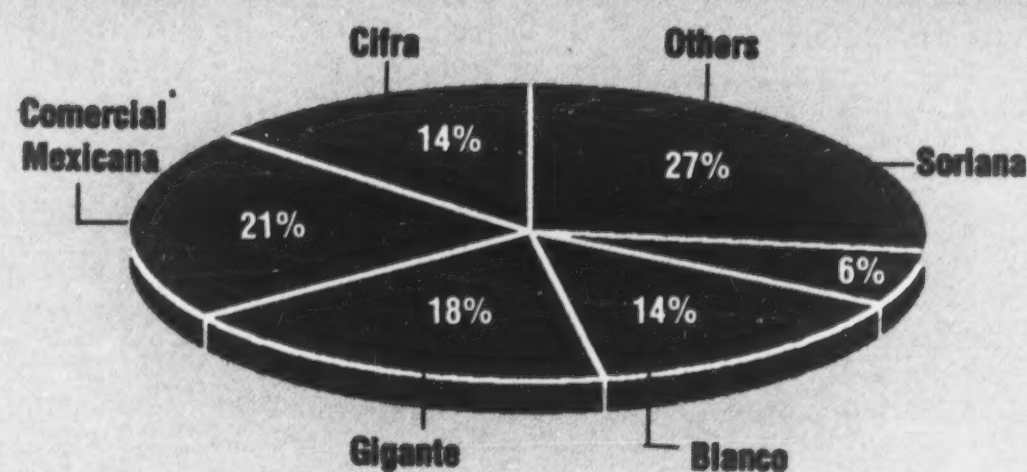
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Mexico: The New Frontier

Total Market Share (% Sq. Ft.)



Total Self Service: 24.7 Million Sq. Ft. and 759 Stores
Source: ANTAD Survey of Mexican Self-Service Stores

U.S. Retailers Eye Mexico

Popularity of American Goods Bodes Well for Market

(Continued from page 47)
well as store operations.

Cifra spent \$100 million during the past two years for satellites, POS, scanners and software, and the benefits already have been numerous. Pelka gave an example of a discovery made in a merchandise category, due to the new systems, that many U.S. retailers would recognize.

"Of the 200 different bottles of a given category—like shampoo, hypothetically—35 varieties generated 80% of sales and 100 bottles, half the assortment, were responsible for 99% of the sales," Pelka noted, "presenting a very significant opportunity to cut inventory."

Cifra is not yet connected to Wal-Mart systems in Bentonville, Ark., but if the number of Club Aurrera units opened climbs, "then it would make sense," he said.

Francisco Martinez de la Vega, financial director with Grupo Comercial Mexicana

said three stores had scanning equipment installed last year and the goal is to have 20 more on-line this year. Like other chains, Comercial Mexicana must produce its own bar codes for the domestic goods which do not have bar coding.

While it is possible for Mexican retailers (or U.S. retailers in Mexico) to obtain the technology currently in use in the U.S.—major technology vendors are represented and support is available—the obstacle is finding manufacturers and distributors who can work with the system, according to Lilian Corvington, senior retail specialist with Galaz, Gomez Morfin, Chavero, Yamazaki.

Bar code marking among Mexico suppliers is low, especially in general merchandise. EDI is not yet practical due to the poor communications network in the country. Credit bureaus do not yet exist. Mexican retailers are generally five to 10 years behind the U.S. in application systems/software. Mexican retailers are not as far along in implementing POS/PLU, said Corvington, although scanning in super-

markets is now being implemented.

Software applications now implemented at some stores include inventory control by style or item (although few have the ability to control inventory by color or size); purchase order management and POS. Merchandise planning, store allocation, merchandise planning, replenishment, micromarketing, space management and distribution applications are very limited in Mexico, she added.



Price Club de Mexico estimated 20% of its shoppers already had a membership card from the U.S. but were Mexican citizens.

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HOME MARKET TRENDS

May 18, 1992

Special Supplement

Discount Store News

Exclusive Research:

**Consumers
Prefer
Discounters
6**

**Warehouse
Retailing
With a
Danish Twist
4**



CONSUMERS TURN TO DISCOUNTERS FOR THEIR BED & BATH NEEDS

By Pete Hisey

The discount store share of the U.S. bed & bath market continues to strengthen, despite a soft economy that has forced retailers to cut back on inventory and led major mills to pare down their lines. According to a consumer research study conducted by Chicago-based Leo J. Shapiro & Associates for *HomeMarket Trends*, consumers are more likely than ever to shop a discount store for bed & bath needs; additionally, brand loyalty in the area is on the increase.

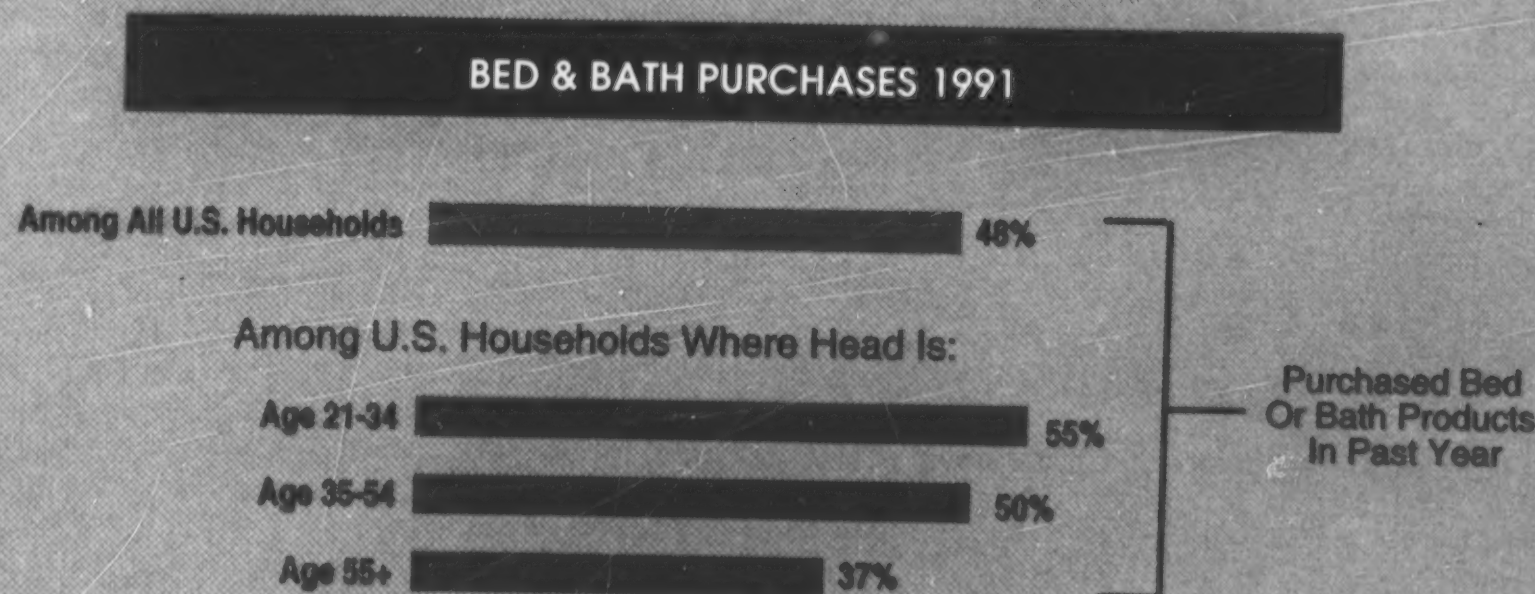
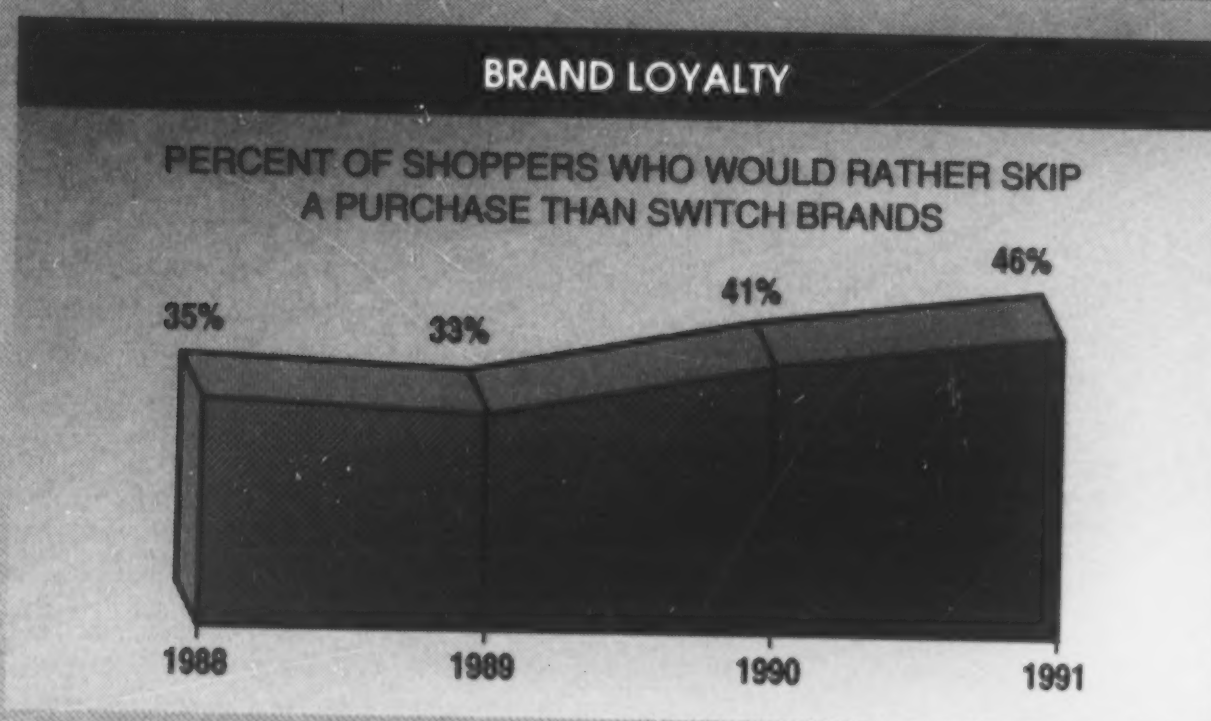
The strength of the market, which according to the U.S. Census Bureau grew from a little over \$1 billion in 1977 to over \$13 billion in 1987, is buttressed by three major trends. The most important is a new accent on the home as a haven from the outside world, which has led to increased expenditures on decorative and comfort items. The second is a heightened interest in fashion, which impels consumers to change decorative products more often, and the third is a growth in the establishment of households, a rate that far outstrips growth in raw population.

Overall, about one half of U.S. households reported purchases of bed & bath products in the past year, with younger consumers, who form the majority of new households that then need furnishing, most likely to have purchased. However, more than one-third of older consumers, who can be expected to have purchased most of their needs already, reported such purchases.

Of the 48% of consumers who reported a purchase, nearly half (44%) shopped at a discount store and discounters accounted for 48% of total dollars spent on bed & bath products, respondents said. These figures may be a bit deceptive; consumers now identify a large spectrum of retailers as discounters, perhaps because of the promotional blitz mounted by cash-strapped department



Overall, about one half of U.S. households reported purchases of bed & bath products in the past year



Source: Leo J. Shapiro & Assoc./HomeMarket Trends.

stores. One in 10 shoppers who reported a purchase at a traditional department store felt that store was a discounter in the bed & bath category. And, a significant amount of Sears shoppers (16%) now feel Sears is a bed & bath discounter, which compares to only 4% of Sears electronics shoppers who felt that way.

Overall, discounters were No. 1 with consumers, followed by the "other" category that includes specialty chains with 25%, department stores with 20%, national mass merchandisers like Sears and Ward with 11%, and warehouse clubs, outlet stores and off-price apparel stores, with, respectively, 3%, 2% and 1% of sales.

Of major discounters, Wal-Mart held a lopsided edge over its competitors, an edge that probably isn't reflected in actual sales. About 16% of consumers who bought bed & bath goods said they got them at Wal-Mart, compared to 9% at runner-up Kmart and 3% at Target. While Wal-Mart is No. 1 in bed & bath sales, its edge is not as dramatic as consumers reported.

The new emphasis on bed & bath at discounters, with departments and assortments expanded industrywide and the departments themselves often moved closer to the front of the store, has resulted in the category now the fourth most dominant in terms of share-of-market. Discounters account for 48% of bed & bath dollars spent, a percentage matched or eclipsed in the 16 major categories only by children's apparel, toys, non-prescription drugs and personal care products.

Discounters as a whole were preferred in bed & bath by young, lower income, less educated and blue collar workers, but that tells only part of the story. While those with incomes under \$30,000 were clearly discount shoppers, nearly 40% of dollars spent by those with incomes over \$50,000 also went to discounters. Over half of bed & bath dollars spent by college graduates went to discounters, and white collar workers were actually

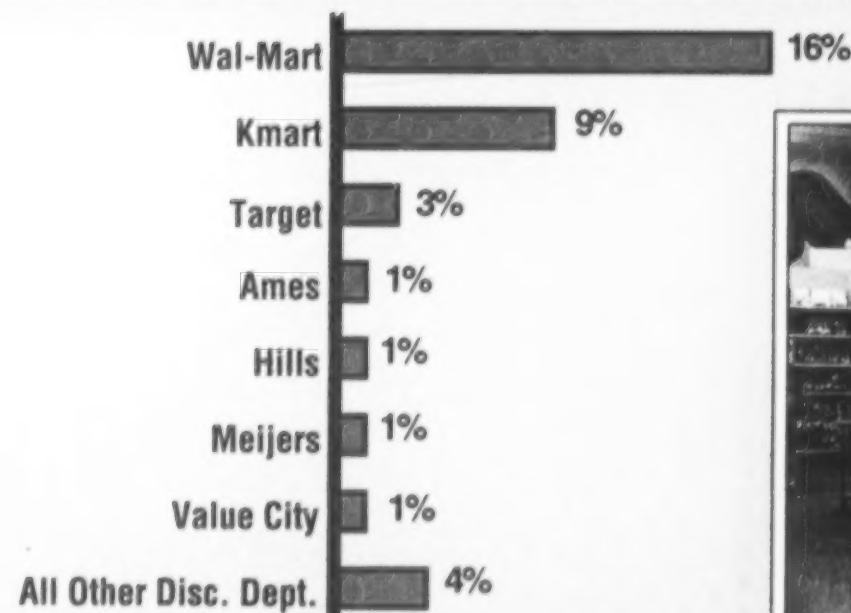
CONSUMERS TURN TO DISCOUNTERS FOR BED & BATH NEEDS



OUTLET WHERE CONSUMERS BOUGHT THEIR LAST BED & BATH PRODUCTS



CHAIN WHERE CONSUMERS MADE THEIR LAST BED & BATH PURCHASE



Source: Leo J. Shapiro & Assoc./HomeMarket Trends.

more likely (by a tiny fraction) to shop at discounters.

Regionally, discounters were strongest in the North Central region and the South, and weakest in the Northeast. Kmart, the nation's second most popular chain, was dominant in the Northeast, while Wal-Mart dominated the South and North Central regions. JCPenney finished third overall, with particular strength in the North Central region. Mervyn's was strong in the West, but nearly non-existent anywhere else. Meijers was a strong player in the North Central region, where all of its stores are located.

Warehouse clubs, led by Price, were dominant in the West, but barely accounted for 2% of sales elsewhere, and manufacturer outlet stores fared best in the Northeast. Discount apparel stores were a factor only in the South, while non-discount stores, mainly specialty shops, accounted for close to 40% of sales in the Northeast and significantly less elsewhere. These figures conform closely to the actual locations of the various chains.

Wal-Mart's bed & bath customer profile varied signifi-

Consumer Brand Preference for Domestics At Discount Department Stores

	Avg. Ranking Past 4 Years	Current Ranking
Cannon	1	1
Martex	2	3
Fieldcrest	3	4
Pepperell/WestPoint	4	2
St. Mary's	5	—
Burlington	6	6
J.P. Stevens	7	5
Dan River	8	9
Springmaid	9	8

Source: Leo J. Shapiro & Assoc.



Wal-Mart's bed & bath customer profile varied from the overall discount shopper

cantly from the overall discount shopper. It was skewed heavily toward younger shoppers and to those with incomes under \$30,000. Singles do not shop Wal-Mart (even less than at other discounters), and compared to Kmart, middle-income households don't either.

Discount bed & bath shoppers are not particularly brand loyal (less than half had a brand preference), but those that are tend to be very loyal. Of those with a preference, 46% said that they would skip a purchase rather than switch brands, up sharply from 35% in 1988.

Shapiro explains a large amount of the growth of the bed & bath market (and the mass market's increasing share of it) in terms of household formation growth. During the 1977 to 1987 period (the latest years available), the U.S. population grew 10% while household count increased by 20%. With more young people remaining home longer, and the continuing trend away from the extended family, there remains a significant potential for even further household growth, with an attendant bulge in home furnishings sales.

Partnering at Core of QR in '90s

By Arthur Markowitz

Mills and their customers pioneered the concept and now it's becoming *de rigueur* for retailers and their suppliers.

The concept is QuickResponse. Here are some key findings and observations from studies and reports released during the last four months on QR and the retailer/vendor relationship at the heart of this simple but powerful concept:

A growing number of retailers believe that the strategic vendor partnering at the core of QR "is a top priority for the rest of the decade." But the retailers, who participated in the National Retail Federation's Riscon 1991 Strategic Vendor Partnership survey "were candid in citing why closer cooperation isn't yet the rule . . . with technological 'know how' and culture being the greatest barriers" to establishing such relationships, according to the study by Andersen Consulting.

The survey noted that 80% of the responding retailers—discounters, conventional department stores, specialty stores and independent retailers—are working on one or more of these three strategic vendor partnership elements: identifying key vendors; establishing partnerships with these vendors, and working together to streamline operations.

Overall, 28% of the respondents have initiated pilot programs with vendors. Discounters "are clear leaders" in this endeavor, Andersen Consulting commented. Almost 30% of the discount respondents have pilot programs with either less than 50 vendors or with more than 100 vendors.

For retailers like Wal-Mart and Kmart, strategic vendor partnership means starting to give suppliers the responsibility to manage inventories in distribution centers or in stores, according to a presentation made at the NRF Retail Directions '92 conference by three Kurt Salmon Associates executives. The retailers give selected vendors sales and inventory data and check their performance on maintaining a strong in-stock position while boosting turns.

Overall, however, partnership in the form of information sharing has a way to go. Andersen Consulting's

findings showed that over 70% of the retailers *didn't* share data with vendors, with confidentiality cited as the reason. "Among retailers who share (or plan to share) information, sales data is/will be shared much more often than inventory data," the study added.

On the positive side, retailers' commitment to QR in general continues to grow, the NRF's fourth Bar Code/EDI/QR survey found, with 38% of

sale was more than \$400,000, with an average payback time of 12 to 18 months. POS magnetic stripe readers had an average cost of \$5,000 to \$10,000, with average payback in three to six months.

Overall, the average value of POS systems using bar code and magnetic stripe technologies was \$51,000 to \$100,000 and the average payback time was six to 12 months.

Determining the ideal QR

program suited to a retailer's unique merchandising mission can be difficult. Cleveland Consulting Associates warned that "a key trap for today's retailers is the generic QR programs offered by vendors based on terms they have established with other customers." A CCA White Paper, *Responsiveness by Design: Making the Most of QuickResponse*, noted that "the typical offering runs along the lines of

use figures are impressive, the reality is somewhat different. Just under 50% of the retailers are actually using EDI, but only 7% transmit a majority of their purchase orders via EDI. Among discounters, 40% send less than 25% of their POS through EDI, with the remaining chains transmitting anywhere from 25% to 100% of their orders electronically, according to the Andersen Consulting findings.

Scanning has become the basic program for QR, with UPC the dominant standard format for internal retailer use, the NRF's fourth annual Bar Code/EDI/QR survey found. But other code marking for special uses is growing, according to the Deloitte & Touche study, with planned or actual use of Interleaved 2 of 5 tripling and Code 39 and Code 128 also becoming more accepted.

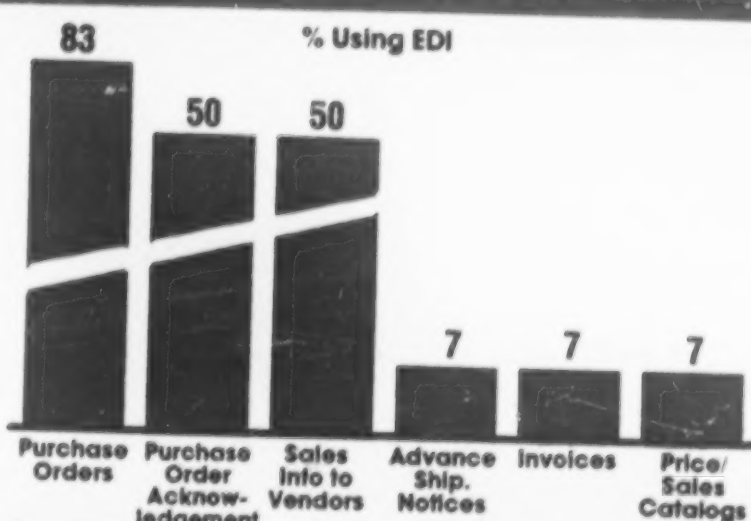
The Bar Code/EDI/QR survey noted that "while the majority of UPC programs are retailer initiated, one-quarter [of the respondents] stated that their programs were jointly initiated by both retailer and vendor." Retailer prepared bar codes "continue to outpace the use of vendor marked bar codes by a wide margin, though over 70% of respondents committed to scanning use or plan to use vendor marked" UPC, according to the Deloitte & Touche findings.

Retailers' mainly use scanning at the POS to capture sales information. But the use of it to enhance customer service by speeding up the check-out process through automatic price look-up is growing. The Bar Code/EDI/QR study reported that only 31% of those surveyed *didn't* plan to use PLU at the POS, down from 37% in the previous study.

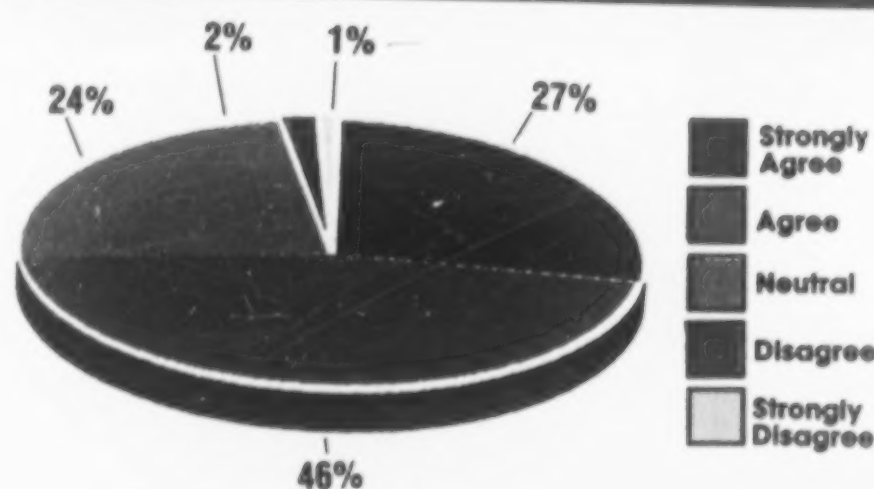
Scanning for non-POS is also important to the majority of retailers committed to this technology. The study noted that 89% used scanning for some non-POS function. Inventory taking was cited by 82%; warehouse functions by 58%; transfer of merchandise by 49%; shipping container marking by 48%, and shelf stock purposes by 26%.

Copies of the individual studies are available from: NRF, (212) 244-8780; Andersen Consulting, (312) 580-0033; Deloitte & Touche, (212) 492-2910; AIM, (412) 963-8588, and Cleveland Consulting Associates, (216) 449-3600.

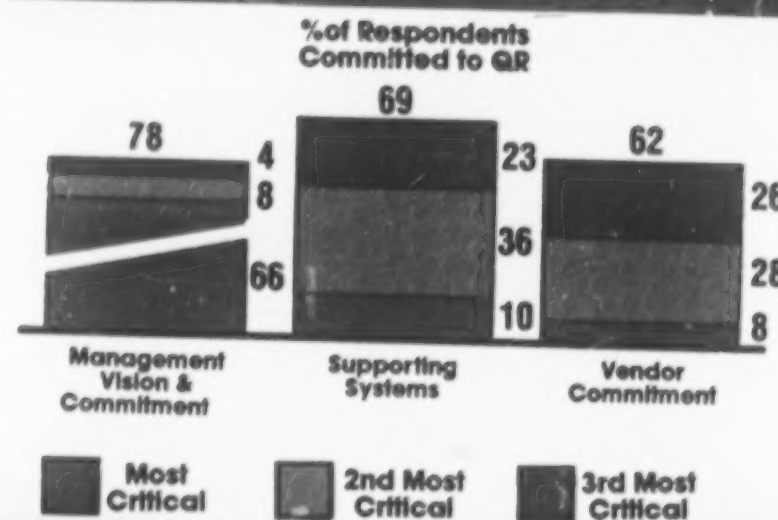
What Are Companies Currently Using EDI For?



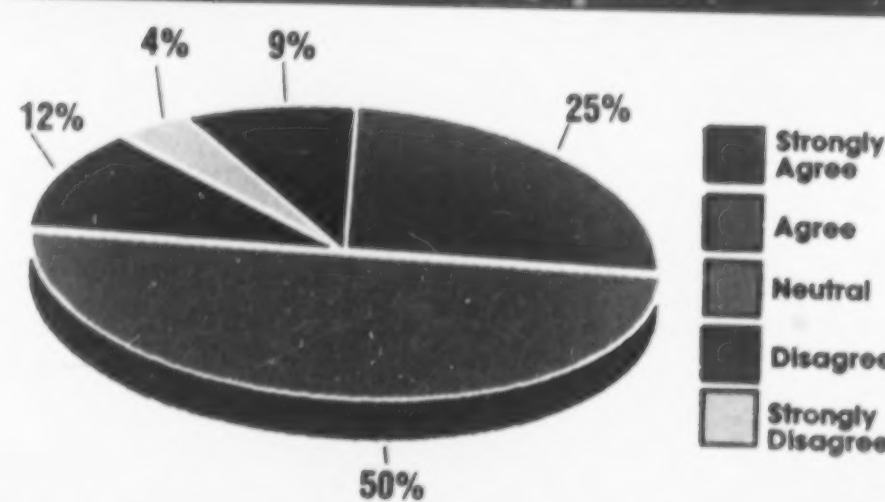
Vendor Involvement in Inventory Replenishment: A Necessary Step To Remaining Competitive?



What Are the Three Most Critical Success Factors In Becoming a QR Company?



Vendors Owning Inventory: A Necessary Step To Remaining Competitive?



the responding companies planning to or already implementing such programs, up from 33% in the previous study. The practical execution: 44% of the retailers committed to QR currently scan bar coded goods and 46% currently use EDI with vendors, according to the study prepared by Deloitte & Touche.

There's a fairly rapid payback—return on investment—from using the various identification/communication technologies that make QR possible, an Automatic Identification Manufacturers Inc. study noted. AIM compiled its report from information that was gathered by members (equipment manufacturers) who surveyed customers like retailers using the different technologies.

AIM's ROI survey found that the average cost of bar code readers at the point-of-

Overall, however, partnership in the form of information sharing has a way to go.

"here is our QR program—and by the way, we're dealing this way with Wal-Mart."

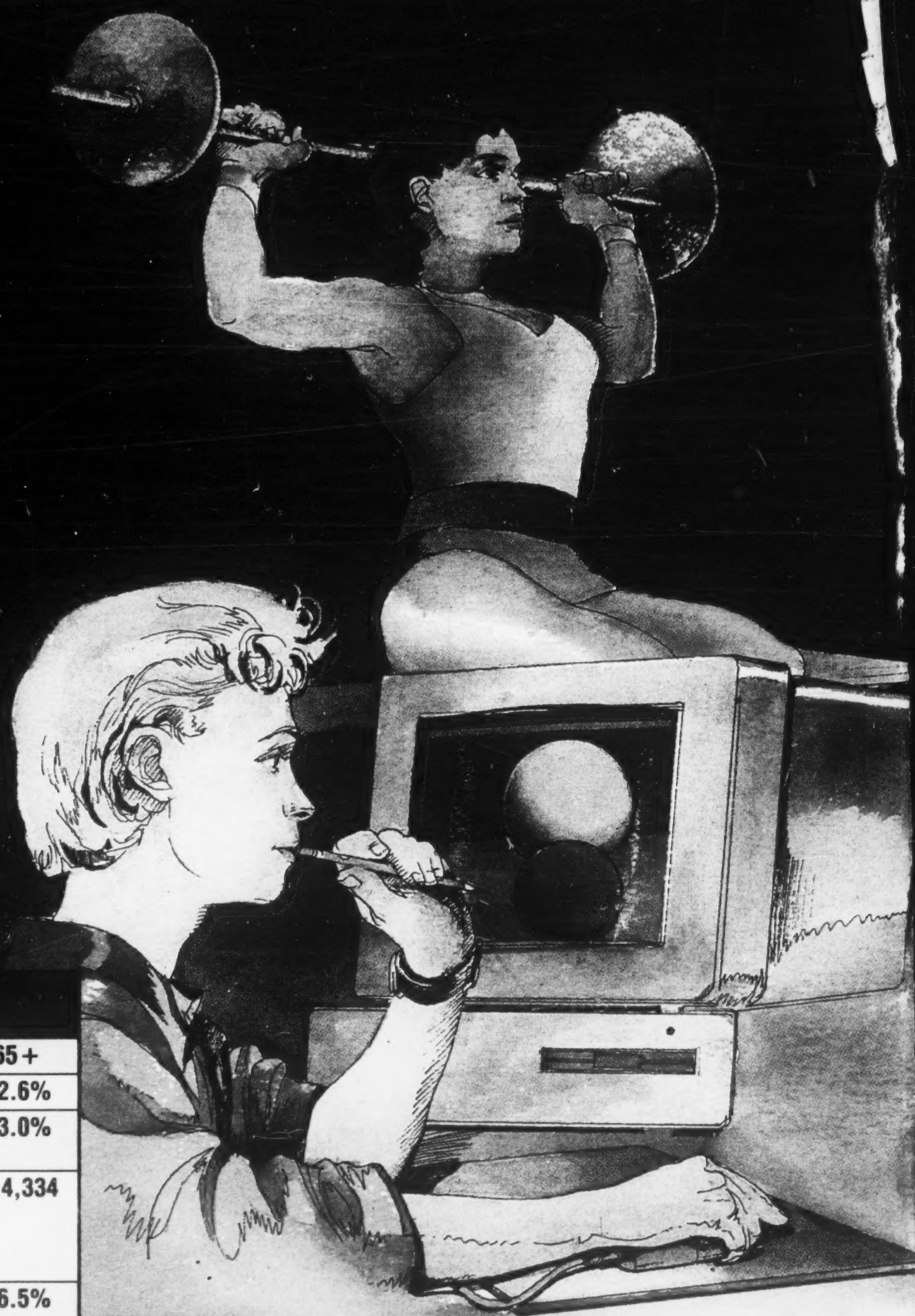
The study adds: "In fact, your business may have nothing to do with how Wal-Mart runs its business. While prior arrangements may provide useful guidelines and insights . . . chances are slim that the program as outlined represents the best solution for your unique retailing objectives. Importantly, this means taking a hard look at the QR programs being offered by major vendors—and requesting different terms as appropriate."

The Strategic Vendor Partnership survey reported that among the responding retailers, 80% use or are planning to use POS with scanning; 75% use or plan to use EDI; 75% plan or actually UPC mark goods, and 65% plan to or use Shipping Container Marking. While these use or plan to

UNDER 13

13-17

18-24



Hitting a Moving Target

	Under 13	13-17	18-24	25-44	45-64	65 +
Percent of U.S. Population (1990)	18.7%	6.9%	10.4%	32.7%	18.7%	12.6%
Projected Percent of U.S. Population (2000)	19.4%	8.8%	9.4%	30.2%	22.9%	13.0%
Median Household Income (1987)	NA	NA	\$16,204*	\$26,923 (25-34) \$34,929 (35-44)	\$37,250 (45-54) \$27,538 (55-64)	\$14,334
Percent Shopped Discount Store In Past Year	NA	NA	77.5%	89.9%	86.8%	76.5%

*Median household income for head of household aged 15-24

NA—Not available

Source: U.S. Census Bureau, Leo J. Shapiro & Associates

Keeping Tabs on Consumer's Needs Poses Challenge For Retailers

By Don Longo

My 12-year-old son can cook a meal for himself. He uses mousse to keep every follicle of his closely cropped hair in place. His room has a color TV, a stereo cassette player and an 8-bit Nintendo game deck. He doesn't really believe the outlandish claims of sneaker makers like Nike and Reebok that their athletic footwear will make him soar like Michael Jordan or Patrick Ewing, but he *had* to buy a pair of Asics with the green neon stripe. After all, the heavily advertised brands "are made better, right Dad?"

His 8-year-old sister is nearly as independent as he is. She owns every type of Barbie doll in creation, loves the TV show "Beverly Hills 90210" (Luke has replaced Donnie from the New Kids as her favorite heartthrob), and packs her own color-coordinated wardrobe when she visits friends on weekends. She has her own Nintendo deck in her room and she was as excited as her brother with the in-line roller skates they received as Easter presents.

Like most single consumers, I'm more likely to shop a traditional department store or specialty store for apparel. But, I won't pay an outlandish price just to have a prestige logo sewn on the rear of my pants. I find myself shopping more and more often at discount department stores, warehouse clubs and specialty discounters for

25-44

45-64

65+



a wide range of products for myself and my children.

My father retired three years ago from his factory job. Now he works part-time as a sales associate for a major retailer to supplement his social security check. With the mortgage paid off, he and my mother have more disposable income now than when he was working full-time, yet they tend to frequent the same value-oriented retailers they've utilized in the past for their shopping needs.

Kids, adults and elderly consumers today are far different from their counterparts of a decade ago. A decade from now, their needs and aspirations will be altered even more.

The changing makeup of the U.S. population will create new opportunities and problems for retailers as the baby boomers age and are replaced by the baby bust generation. For example, the largest current segment of the U.S. population (25 to 44 year olds) are also the most active discount store shoppers. By the year 2000, the 25 to 44 year old segment will contract, while the number of consumers aged 45 and older will expand significantly. Discounters' ability to maintain these consumers as loyal shoppers will be key to their future success.

(Continued on page 56)

Tomorrow's Adults: Big Spenders Today 58

Teens Provide Constant Challenges 75

Young Adults Value Quality, 'Naturalness' 84

Core Group Shrinks as Boomers Age 93

Middle-Agers: Big Clout, Diverse Makeup 104

Seniors: Fastest Growing, Most Loyal 113

MERCHANDISING THROUGH THE AGES

Maintaining Loyal Customers is Key to Success

(Continued from page 55)

Few retailers will argue that effective marketing requires an understanding of consumer market niches. This special section of *DSN*, titled *Merchandising Through the Ages*, shows how demographic changes in the U.S. population will effect market re-

search, the development of new products, and the way those products are advertised and displayed in stores.

Here's just a sampling of some of the demographic changes retailers must respond to in the coming years:

- 24% of kids 8 to 12 have paying jobs: including babysit-

ting, delivering papers and mowing lawns. Their favorite video game is still Nintendo (77%), followed by Sega Genesis (12%).

- 62% of kids that are under the age of 13 prepare at least one meal a week on their own. Baseball is their favorite TV sports event (33%), followed

by basketball (26%).

- 89% shop with a parent for sneakers; 7% without.
- 83% shop with a parent for clothes; 9% without.
- Sixty-two percent shop with a parent for toys; 28% without.
- And, 37% shop with a parent for candy; 56% without.

- Teens aged 12 to 19 have

\$50 on average to spend every week and it's all disposable income.

- The profile of computer consumers is shifting toward the female perspective—nearly half of one major retailer's personal computer customers are women! The age of purchasers is also crashing: 11% are between 18 to 24, and one-third are 25 to 34. The formerly prime computer customer aged 35 to 54 is declining in importance (perhaps because they already own theirs).

- Younger consumers love thrift shops and vintage clothing stores. Not up to the Gap yet, but a strong trend that values recycling, individuality and a sense of the past, as well as just plain thriftiness. "If I find something at a vintage clothing store, I'm not going to see it on everyone else a week later," one 17-year-old said. That carries over to discount stores as well, where they feel they can get decent looking stuff that is well-made and cheap.

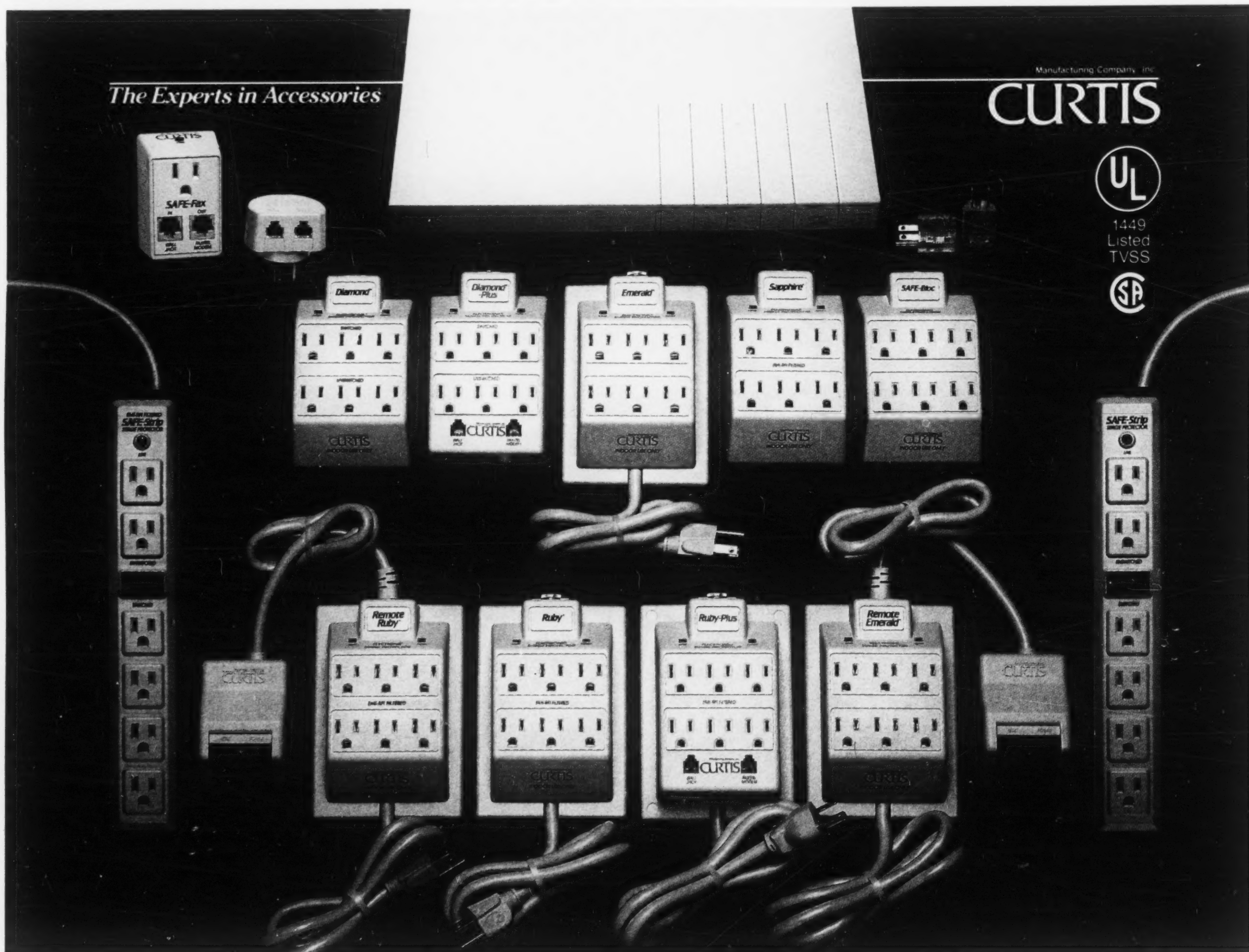
- The testing on animals issue has made more of an impact on younger consumers than any other, in absolute terms. Teens will respond extremely well to products that don't test on animals. In a survey, virtually all respondents said they wouldn't touch animal-tested makeup and other products, and in a focus group, they were even more proactive, saying they'll buy only the makeup that advertises no animal testing. These figures were much higher than, for instance, concern for ecology and concern about AIDS, two other top issues.

- Of families headed by baby boomers aged 35 to 39, 69% include children under the age of 18. Dual income married couples raising kids represent the largest slice of the U.S. household pie, a 19% chunk.

- Empty nesters, 45- to 65-year-olds without any children at home, accounted for 13% of all households but have the average highest household income of all groups at \$53,800.

- One out of five people aged 65 to 74 is still in the labor force. The American Association of Retired Persons (AARP) is the second largest membership club in the nation, with 4,000 new members signing on daily.

- People aged 95 to 99 were the fastest growing five year age segment in the country, from the 1980 census to the 1990 census, nearly doubling (96% increase to 257,000 people.) People aged 100 or older were the second fastest growing age group, rising 76.6% to 57,000 in 1990.



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MERCHANDISING THROUGH THE AGES: UNDER 13

UNDER 13



Small Children With Deep Pockets Can Be A Retailing Goldmine

Kids . . .

appreciate

when a

company . . .

recognizes

them as a

group.'

—Donna Sabino,
Sports Illustrated For Kids

By Jill Lettich

In merchandising and marketing to children, the key is to "bag the adults," advises Marian Salzman, president, BKG Youth, New York, and "always include a gimmick."

The marketing and consulting firm has other marketing rules for retailers and manufacturers targeting the kids' market, but children between the ages of 3 and 12 are a complicated lot that often defy any explanation.

Not at all loyal to stores, easily manipulated by peer pressure and just plain fickle, what could a retailer see in this group?

For one thing, there's the \$132 billion in purchases that children directly influence each year. Children also have \$8.8 billion of their own money that they willingly spend on

apparel, toys and assorted goodies.

Nationwide, children also manage to put another \$7 billion in the bank, a savings record better than some of their parents.

James McNeal, a marketing professor at Texas A & M University, has been tracking kids shopping habits since 1968 and he expects the figures above to continue to increase. The impressive increases will be hard to ignore, and may be hard for retailers to believe.

The rising dollar figures are partly attributable to a still rising birth rate. At the peak of the baby boom, 1964, there were just over 4 million births in the United States. Inevitably, the baby boomers had babies, but the U.S. Census Bureau and other demographers underestimated the fertility of the American population. The Census Bureau predicted the boomlet would peak in 1988, at 3.2 million births. But in 1990, there were 4,179,000 babies born. That's a neat new customer base for retailers.

In research done by BKG Youth with Gannett for Kids, children were found to spend \$7.02 a week.

About 55% of children reported receiving an average allowance of \$13.29 a week.

Both retailers and manufacturers have reacted to the baby boomlet with specific product introductions and in-

creased space for children's merchandise in stores.

According to a number of consultants, it is only in the last year, however, that the importance of merchandising and marketing to children directly or at least jointly to parents and kids has been realized.

"In the last year and a half the retail community has finally woken up," said Salzman. "We've had more companies coming to us for promotional ideas to get kids into the stores; events that they will drag their parents into."

Retailers, however, seem to be lagging behind other industries in the effort to attract kids. It was the manufacturing and publishing community that has been more aggressive in recognizing the market potential.

Sports Illustrated for Kids is one example of how companies are tailoring products for a younger age group. The magazine, written for a 5th grade reading level, is slick and glossy, with stories about professional athletes as well as young sports amateurs.

The magazine targets 8- to 14-year-olds and in two years has managed to garner 888,000 subscribers. That's enough to attract what Donna Sabino, research manager, calls an "untraditional" roster of advertisers that includes Toys "R" Us, Gatorade, Nike and, perhaps less expected in the children's market, Duracell and Centel Corp.

"When we ask kids what they like most about the magazine, the biggest response is always 'cause it's for kids,'" said Sabino. "Kids are in tune to the advertising as well, and appreciate when a company or product recognizes them as a group."

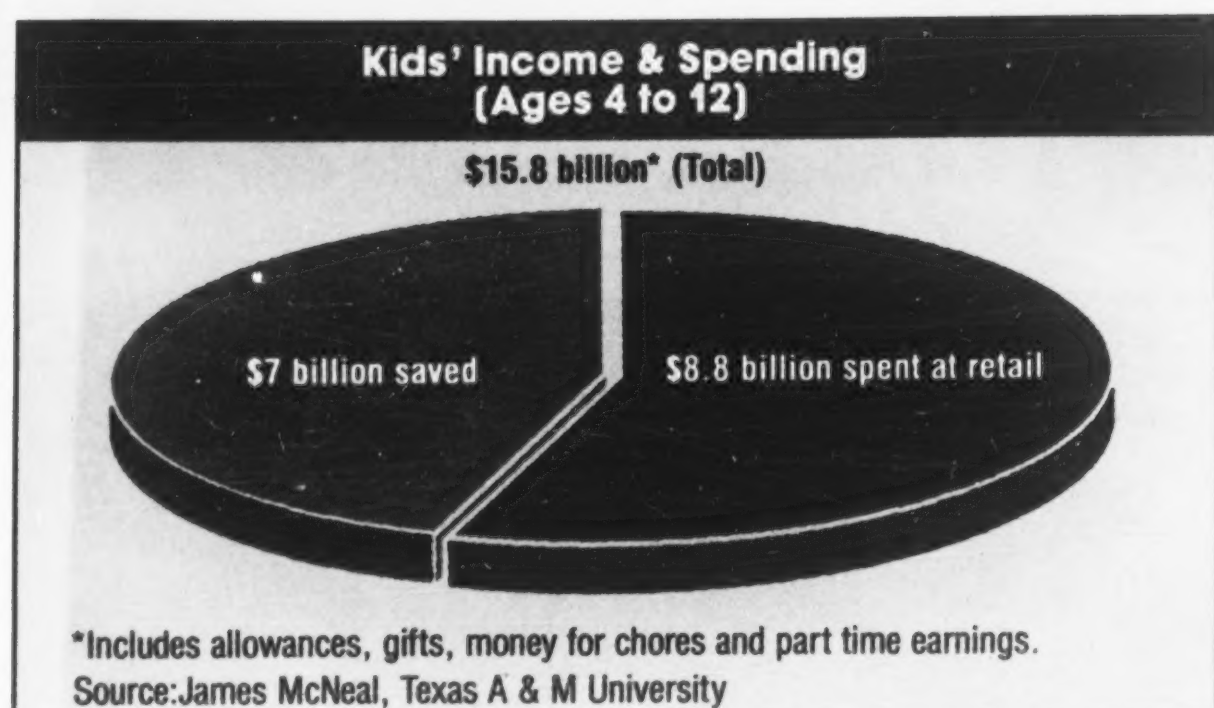
Because of its adult name-sake, *Sports Illustrated for Kids* had a high recognition rate before it even hit the stands. Current efforts to directly promote the product include marketing through school book clubs, magazine inserts and some TV advertising on children's channels such as Nickelodeon.

Another publishing success is *Zillions: Consumer Reports for Kids*. Published by Consumers Union, Yonkers, N.Y., publisher of the ad-free *Consumer Reports*, this kid's version has been in existence since 1980, when it was called *Penny Power*. In 1990, the publishers realized *Zillions* better described the spending power of kids and renamed and redesigned the publication. Bi-monthly issues have

(Continued on page 65)

MERCHANDISING THROUGH THE AGES: 13-17

Kids' Market Can Yield Full-Grown Profits



(Continued from page 58) had young testers reviewing everything from frozen yogurt to video games, skateboards and bicycles.

There continue to be plenty of products for the kids to test. The importance of the kids' market has fueled numerous introductions of children's products and services not limited to the traditional areas of toys and apparel.

Health & beauty care featuring licensed characters such as Barbie are a growing trend. Delta Airlines even has a Fantastic Flyers program that targets children between 2 and 12.

The challenge for manufacturers and retailers is to get a child's attention and help him or her choose their product over all the others. "Though the spending figures are up, we have preliminary data that shows store visits by children are down," reported McNeal. "Parents don't feel as safe as they once did in letting a child roam the mall." That has made the marketing effort to children even more difficult in recent years.

For retailers, interaction is the name of the game. It's the crucial element in getting, and hopefully keeping, a child's interest. Positioned correctly, even a hard lines 'adult' store such as Lechmere manages to rate high in the minds of children.

Salzman of BKG Youth, reported that Lechmere was named frequently as a favorite retailer among children in focus groups.

While the retailer has not independently studied the children's market specifically, Elaine Richie, director of external relations for Lechmere, speculates that the store's customer-friendly environment accounts for the positive rating.

"We have a children's learning section that features computers and video games," she noted. "It is a hands-on environment. All the toys have batteries in them so that they can play with everything. We even have electronic toys for

preschoolers such as a ball that rolls around and makes different animal sounds."

According to Richie, the environment fits into Lechmere's overall hands-on strategy.

Interaction is also the direction that Sears is taking through its Kids & More department. The section fea-

tures a play area and working video games within the department.

Even in the apparel category, where the play value of an item is relatively low, interaction is important.

Valerie McGuire, account manager, Gitano, said that specially designed hangtags for its children's wear provide play value and also manage to keep the Gitano name in the forefront.

"In sizes 4 to 6X, we use hangtags with jumble puzzles on them. Kids like the interaction and instead of just throwing a tag away once it comes home, it is in the child's and mother's hand a little longer," she said.

For toddler sizes, pictures of animals with their names spelled out provide a learning opportunity for kids.

"We know we need to culti-

vate kids' brand awareness," she said, a task that is increasingly directed to younger and younger customers. "By the time a child reaches first grade they have already made an independent purchase, usually food," she noted.

In addition to hangtags, McGuire reported that Gitano is also looking toward designing playful fixtures and interactive displays for kids. "This would include little building blocks and other interactive POP material. We haven't done any real giveaways for this market, however," she said.

McGuire noted that Gitano's studies have found shopping behaviors are developed when children are as young as three years of age. "A 1-year-old will accompany a parent and observe; at two, they accompany parents and

(Continued on page 73)

Sears Trying to Put Fun Into Kids' Dept.



Many Sears stores now have Fun Tronics shops in their Kids & More departments, which feature a variety of electronic games, such as Nintendo and Sega, which kids can play while their parents shop.

CHICAGO — "Competition is extremely tough in the children's area and we realize that we have to keep updating the department," said John Duvic, national merchandise manager, children's division, Sears. "We're trying to make the shopping experience fun rather than a drudgery."

Through its Kids & More department, now in 800 stores nationwide, Sears has taken the first steps in creating what it hopes will be a fun shopping destination for children and their parents.

But this is a volatile market, and Duvic is already ad-

justing the focus of the department to mirror important trends.

The Kids & More department was designed to showcase all related children's items in one place, including apparel, toys and juvenile furniture. That makes shopping easy for the parents. For kids, the department in larger Sears stores features a play area, a jukebox and a "Fun Tronics" section where older kids can play video games.

"I don't know of any other retailer that has tried to bring hard lines and soft lines together in this way,"

Duvic said.

The success of Fun Tronics especially, which Duvic claims has increased sales in electronic games, has inspired a revamp of the area and a rethinking of the purpose of the department.

In the future, "the 'more's' in the Kids & More department are going to be merchandise oriented and more interactive for the children," explained Duvic. "We feel the positioning of Fun Tronics in Kids' and updating merchandise with more customer-friendly point-of-sale material will

(Continued on page 73)

Target's

Kids For

Saving Earth

club is an

example of a

successful

environmental

program that

involves

children.

Target benefits

from positive

name

recognition

among the

children

involved

through their

schools and

communities

MERCHANDISING THROUGH THE AGES: UNDER 13

Trendy Toys Grab Hold of Kids' Minds And Parents Wallets



Many discounters like Jamesway have revamped their stores with a greater emphasis on toys. (DSN photo)

You can't get anything past today's kids. They seem to know how to push all the right buttons, especially when it comes to getting the toys they want.

Television, for the most part, takes care of getting a child to see and want a toy. Having a good selection will make a retailer a child's friend for life.

Toys are second behind food in terms of a child's influence on purchasing power, according to James McNeal, professor at Texas A & M University. Various research suggests that this influence is a carefully developed skill.

For instance, boys 9 to 12 said they like shopping for apparel with dad, and girls of that age group like shopping for clothes with mom. When it comes to toys, however, each prefers the opposite sex parent. It's a pretty smart kid that can play up the mommy or daddy's little girl or boy angle.

"Even better than parents as shopping companions are grandparents, especially for novelty toy items," said Marian Salzman, president of BKG Youth, who believes retailers so far have missed the boat when it comes to reaching the kid/grandparent combo.

"A grandparent is a bigger part of a child's weekend life than has been evident in the past," she said. "I think there are many opportunities for in-store events that cater to this market."

The downside to that argument is that when purchasing toys as gifts, grandparents are somewhat behind the times. They are least likely to purchase video games, for instance, even though that category is a kid favorite and racked up \$4 billion in sales for

Television and movie themes both go a long way in influencing the toy buying decisions of parents & kids'

1990. Salzman estimated that kids play an average of 1.6 hours of video games a day.

The toy retailers that are successful, such as Toys "R" Us and Kay-Bee Toys, follow the basic rules for attracting kids: the stores are bright and colorful, have a large selection and are accessible to children.

Many retailers that have expanded children's wear have revamped or are in the process of revamping the toy area also.

Kmart's newer stores include kids power formats with effective adjacencies between toys and kids' apparel.

Likewise, in Jamesway's newly revamped stores, a larger children's wear area was placed across the aisle from toys.

Sears also combined toys with apparel in its Kids & More departments. John Duvic, national merchandise manager, children's division, said it was still working on updating the toy area, both with added merchandise and better presentations. Video games are a priority category for the retailer.

Toys "R" Us, with 497 stores in the United States, remains the benchmark retailer to children, however.

"The Toys 'R' Us mentality works with kids; the corner toy store is no longer where it's happening," said Salzman.

Where it is happening is in discount stores. Discounters accounted for 37% of toys sales

Toy Retail Sales 1984 to 1991 (In Billions)	
1984	\$12.3
1985	12.9
1986	12.4
1987	12.2
1988	12.9
1989	13.1
1990	13.1
1991	14.8
Source: Toy Manufacturers of America/NPD Research	

in 1990, according to the Toy Market Index published by TMA. Toys stores accounted for 33% of sales.

The value quotient is an important element of toy purchases and further confirms the lead discounters have in this market.

Without downplaying the power of children themselves, there is ample evidence that parents usually have the last word in toy purchases. According to NPD, 63% of the dollars spent on toys were planned purchases, usually triggered by promotion.

Not surprisingly, video games had the largest increase in unit sales in 1990, followed by both action figures and dolls.

Licensing products make up about 60% of all toy sales, according to The Licensing Letter. That amounts to about \$7.3 billion of licensed toys or games.

Percentage of Toy Sales Per Age Group (1991)	
0 to 11 Mo.	4.0%
12 to 23 Mo.	7.1
2-3 Years	14.4
4-5 Years	16.1
6-7 Years	14.5
8-9 Years	11.1
10-12 Years	13.9
13-17 Years	6.9
18 Plus*	12.4
*Includes collectibles. All figures include video games. Source: NPD Research, Port Washington, N.Y.	

While there was no Teenage Mutant Ninja Turtle phenomenon during 1991, Barbie and Beverly Hills 90210 were a big success. For little girls, Beauty & the Beast and The Little Mermaid remain popular themes.

Characters to look for in the future include Batman, a demand that is likely to coincide with the second movie's release in June. Retailers such as Jamesway already had some Batman products on the shelves in March, with more to follow. It is hard to beat the promotional punch of a licensed product that comes complete with its own cartoon show or movie.

Beyond Batman, Salzman has a tip for retailers: keep those trolls coming, pocket versions continue to be favorites with kids.

MERCHANDISING THROUGH THE AGES: UNDER 13

Discounters Captivate A New Generation With Children's Video

By Frank M. Viollis
Special to DSN

For many years the highly profitable world of the prerecorded videocassette was the nearly exclusive province of the full-length movie feature.

Times have changed.

There's a new kid on the block. It's the perfect blend of traditional values, good taste, and high tech. It's the children's video.

"In 1990 the Children's (and/or Family) sell-through category was responsible for 44% of all prerecorded video sales," said Ted Lannan, president of the Lincoln, Neb.-based research firm, Fairfield Research.

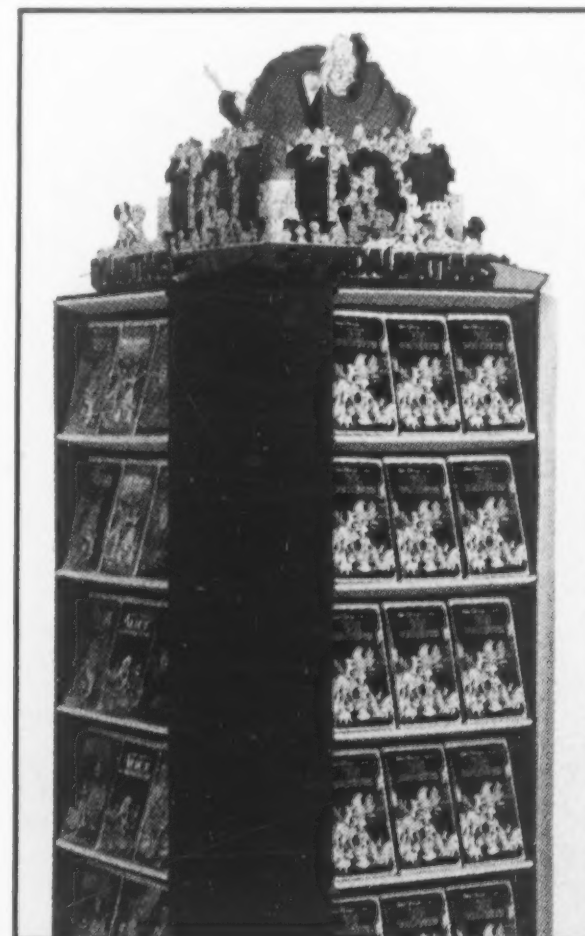
Children's video was "the single most important video category [on the shelves]," noted Lannan. "Its market position remained flat for '91; but, projections are that '92 will see the category get up around 54% of the market share."

That translates into 1991 sales figures of about \$2.2 billion, with 1992 projections being nearly \$3 billion (which is a lot of units considering the average cost of a children's video is \$9.99).

Interestingly enough, just as video consumers have shifted their purchase interests from the singular to the plural (as in family), so too have they shifted their buying locale of preference, from the singular interest specialty video store, to the multiple interest (family-oriented) discount store. In fact, 1991 saw the discount store take the lead in the sales of sell-through videocassettes, ac-



Jamesway (left) has merchandised a children's video kiosk next to its kids apparel department. (Right) "101 Dalmations" has become the third top selling video of all time and is still climbing.



Turtles" \$9.4 million;
8. "Who Framed Roger Rabbit" \$8.5 million;
9. "Cinderella" \$7.5 million.

A look at the list reveals that five of the nine are the property of Disney studios. The expected release of the Academy Award-winning "Beauty and the Beast" in October will certainly give Disney another Top 10 hit, maybe even the top seller of all time.

As the acknowledged leader in the genre, Disney was the first to recognize that a home video library, stocked with top-quality children's cassettes, was a natural.

Children love to collect, and parent's want to collect what's

Children's video was the single most important video category.

Projections are that '92 will see the category get up around 54% of the market share

counting for nearly 25% of the almost 300 million units sold (132 million of which were products designed, produced, and marketed exclusively for sale to the Children's and/or Family video consumer).

Perhaps that has something to do with the unique quality of the children's video audience.

Essentially, it is two tiered. The first tier is the domain of the parent.

Constantly on the lookout for products and services that can both entertain and inform their children, they have come to view the prerecorded videocassette as more than merely an electronic babysitter.

It is a product that has been skillfully crafted to meet the particular needs of a very precise viewing audience.

"We are committed to providing quality children's products," said Bill Reitman, director, Golden Entertainment Group Product Development, "whether it's in literature, education, music, or entertainment. With our acquisition of the 'High Tops' video line (released under the Golden Book video label) we've secured such children's classics as the 'Madeline' series. We're very excited about it."

And, so are many of the quality conscious parents who want to safeguard the children's viewing.

"There are a lot of families out there who want quality [video] products that reinforce positive values," echoed V.I.E.W. Inc.'s president and founder, Bob Karcy. "We have been a long-time pioneer

in sell-through video (10 years) for children. We offer 'parenting' programming, with an instructional, or preschool, focus. We're out after concerned, involved parents."

Given the overall response to their respective product lines, most parents are.

But, the pre-recorded children's video is more than just a teaching medium. It is a trusted and valued companion (and, given that children can, and do, watch the same programming over and over again, that can become a long-term relationship) that keeps alive precious memories (for both parent and child).

Is it any wonder why children's features, both animated and non-animated, account for at least one half of the best sellers on any video chart, on any given week? The nine selling videos of all time belong to the children's market:

1. "Fantasia" \$14.2 million;
2. "E.T." \$13.7 million;
3. "101 Dalmations" \$12.7 million;
4. "Batman" \$11.6 million;
5. "The Little Mermaid" \$9.8 million;
6. "Home Alone" \$9.8 million;
7. "Teenage Mutant Ninja

best for their children.

Today, there are 19 million very loyal Disney videocassette owners; and, each owns an average of 15 videocassettes.

The second tier in the children's video audience is the child. This consumer segment is one to be reckoned with. They know what they like, and they ask for it.

F.H.E. boasts a catalogue of over 1,000 titles, including the mega children's hit "Teenage Mutant Ninja Turtles."

V.I.E.W. Video, on the other hand, has sought a more well-defined market niche than either Disney or F.H.E. It addresses the parent/child consumer partnership on a different level.

"We're there for the parents who want an interactive experience with their child," said Bob Karcy. "We promote positive reinforcement."

V.I.E.W. created the first video aimed at the infant viewer. "Infantastic Lullabies" is a Parenting magazine award winning video that stresses pre-cognitive learning through a rich blending of brightly colored patterns and shapes, with familiar nursery songs.

1991 Consumer Spending (In \$Billions)

Snack Foods	22.6
Health & Beauty Care	19.0
Toys	12.0
Video	11.2
Audio Tapes/Records/CDs	8.3
Cookies	7.8
Books	6.3
Laundry Soap	4.0
Wine	3.0
Bottled Water	2.6
Cosmetics	2.4
Over-the-Counter Drugs	2.0

Sources: Adweek, Ad Age, Recording Association of America (estimate), Association of American Publishers

MERCHANDISING THROUGH THE AGES: UNDER 13

The Little Sophisticates: Today's Kids Are Very Savvy About Apparel



Jamesway uses colorful signage and adult-like fashion to catch the eye of its smallest customers.

Kids are important motivators of purchasing behavior and they love to shop," according to Deborah Forte, vice president, Scholastic Inc.

More sophisticated and better shoppers than even their parents sometimes like to admit, children aged 3 to 12 take an especially active interest in what they wear and even in where they buy it.

"If anyone thinks that Gap-Kids is full of only parents buying things to surprise their kids, they're wrong," reported Dudley MacIlhenney, a retail consultant. "In apparel, especially, children themselves select and edit what they wear."

Kids aged 4 to 12 are selecting and editing apparel to the tune of about \$13 billion plus a year, according to a 1991 estimate by James McNeal, a marketing professor at Texas A & M University.

Where does this money go? Children's athletic shoe purchases alone account for more than \$2 billion.

While the popularity of Gap-Kids in this group may not be surprising when it comes to buying apparel, not many industry experts expect kids to name off-pricers and factory outlets as favorite shopping spots.

"Marshalls gets a very high rating in this age group," said Marian Salzman, president, BKG Youth, New York. "Kids tell us they like the broad and age appropriate selection of

In apparel,
especially,
children
themselves
select and
edit what they
want to wear.'

sneakers at Marshalls."

According to a series of focus groups done by Leichter Assoc. for Coopers & Lybrand, savvy children also appreciate the value of outlet stores. One 12-year-old girl told the interviewers, "At most of those stores you can get a lot more for your money than you can at regular department stores. It's a better value and that way you can have more stuff."

When it comes to the kid uniform—jeans and sneakers—children are very clear about what kind of "stuff" they want and what brand they will wear.

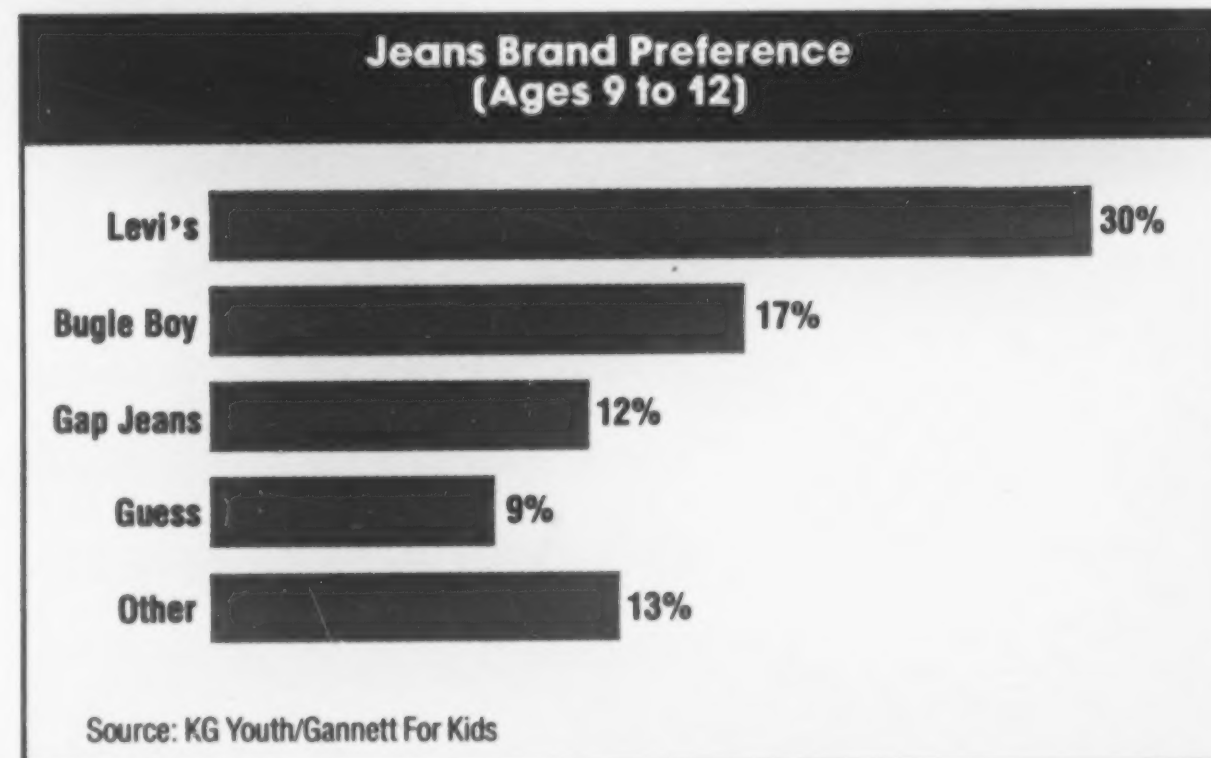
In a study conducted by BKG Youth, and the Gannett for Kids newspaper, Nike was rated No. 1 as the sneaker of choice among kids. About 44% of children between 5th and 7th grades named Nike as their preferred brand.

Levi's topped the list for jeans with 30% of the responses. That was followed by Bugle Boy (13%), Gap Jeans (12%) and Guess (9%). Other responses totaled 13%.

In addition, baseball caps were rated the No. 1 accessory in the 9 to 12 age group, with 45% of the kids questioned naming this headgear as a favored item.

Knowing what kids like to wear is only the tip of the iceberg. Knowing how they like to shop is the real trick.

"Kids like excitement. They like brightly colored signs, especially things hanging from ceilings," said Salzman. He be-



lieves that a discounter such as Kmart fits a child's expectations, as do specialty retailers such as Kids "R" Us and to the other extreme, FAO Schwartz, the upscale toy store.

Merchandising is another concern. Forte, for instance, that she would like to see girls' apparel actually merchandised rather than just thrown into the children's department. She is promoting a "shop" idea for a line of licensed apparel based on the popular Baby Sitters Club book series.

Predictably, as a child ages, he or she becomes an even more independent shopper. In a study conducted for *Sports Illustrated for Kids*, Children's Research Services, found that 13% of girls ages 10 to 12 shop for clothing without a parent. While only 3% of girls ages 8 and 9 shop for clothing by themselves.

Ironically, many in the children's industry believe that this more independent "tween" age group is often ignored by manufacturers.

According to MacIlhenney, there is actually a dearth of fashion-forward product for the young girl who is too old for frilly dresses and too young for the Lycra spandex mini skirt.

"At about 10 years of age there is a rule that you would not be caught dead in something that is acceptable for an eight-year-old," he noted.

Scholastic, which publishes the Baby Sitters Club series of books (at last count the series has sold 62 million copies) is now expanding that property to licensed apparel aimed at children 6 to 12 years of age.

"Through Baby Sitters Club,

we captured a demographic that was ignored by the media, the toy manufacturers and almost everyone," said Forte.

"This is not a character brand," according to Forte. "This is a lifestyle brand." The line will be sportswear oriented with a contemporary, down-to-earth approach. While statistical information satisfies the adult need to put the market into perspective, this category tends to spark anecdotes of children's behavior.

"My 3-year-old has very good taste," reported one working mother, noting that even at that age, the little girl articulates "I want that," freely, choosing soft pastel patterns and florals over loud prints.

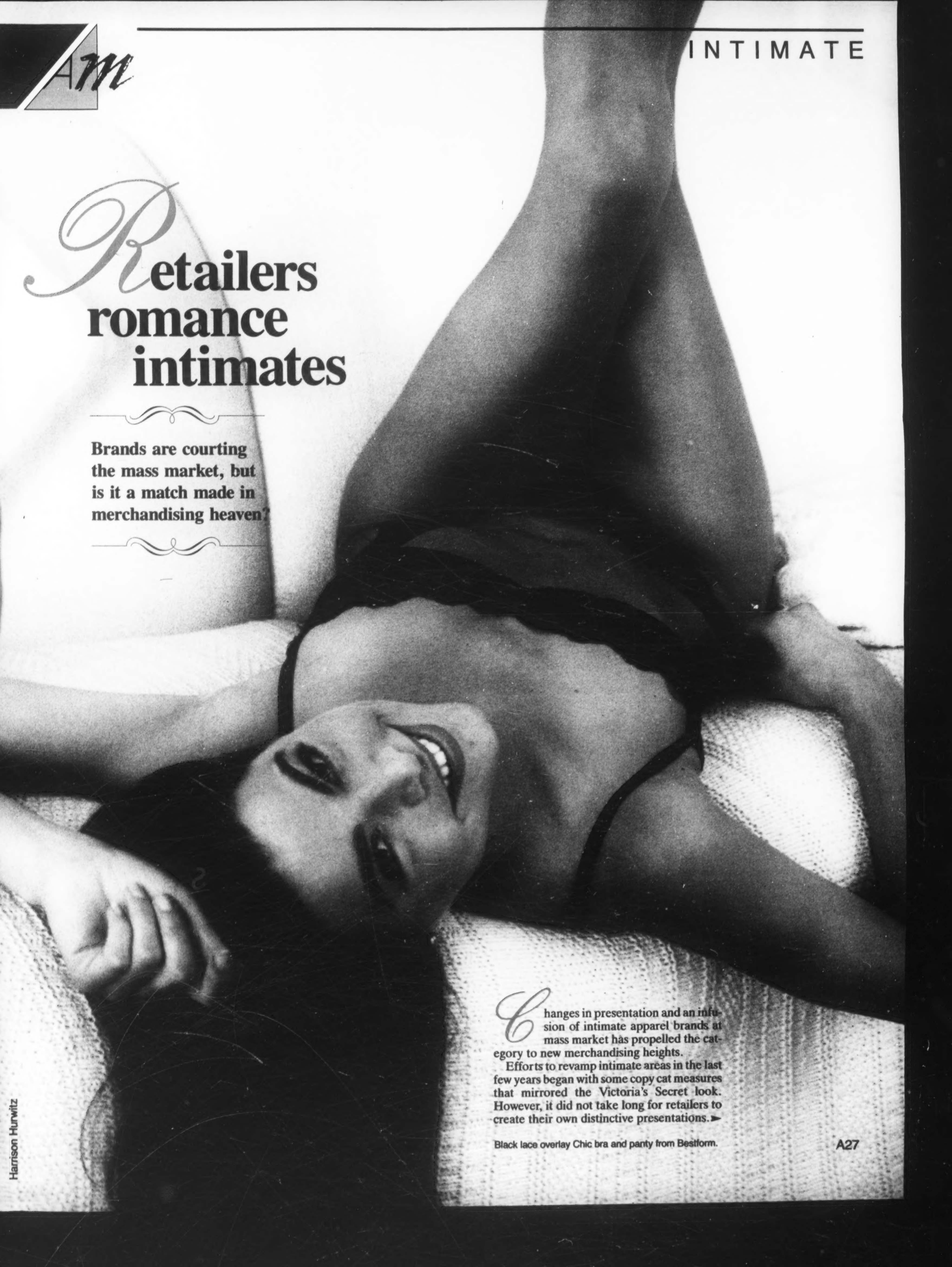
MacIlhenney reported that his own daughter, at the sophisticated age of 10, has a keen sense of style. "She's been wearing black for a couple of years now," he said.

AM
Apparel Merchandising

JAMESWAY KIDS

Jamesway's new apparel power

Paul Roth, senior vp, gmm



Retailers romance intimates

Brands are courting
the mass market, but
is it a match made in
merchandising heaven?

Changes in presentation and an infusion of intimate apparel brands at mass market has propelled the category to new merchandising heights.

Efforts to revamp intimate areas in the last few years began with some copy cat measures that mirrored the Victoria's Secret look. However, it did not take long for retailers to create their own distinctive presentations. ►

Black lace overlay Chic bra and panty from Bestform.

A27

Evolving fashion trends brought new opportunities in this category to the forefront. More cross-merchandising opportunities—sports bras, for instance, found homes in both bodywear and foundations—gave new purpose to some intimate classics.

While intimate areas have become infused with brands, they still represent private label opportunities. Some of the largest intimate players, Kmart and Sears, for instance, continue to focus on successful private label lines. Mass merchandisers have good reason to feel strongly about this arena.

According to NPD research, intimate apparel could show a 4 percent gain in unit sales for 1992, after a stagnant 1991. Various industry estimates put the category overall at close to \$7 billion in sales in 1991. Both sets of numbers offer heady potential for the market. Discount stores gained substantial sales volume during 1991. Panty sales at discounters, the biggest category for the tier, went from \$419 million to \$462 million in sales from 1990 to 1991.

Foundations

In the last year, brands have virtually exploded in foundations in both basic and fashion merchandise.

Fruit of the Loom, for instance, is revving up to corner a piece of the bra category. Known for its cotton basic panties, the company's new line, to be made by Warnaco, will hit the stores in the fall. This is Warnaco's first time in the mass market, and it hopes to capitalize on the 13 percent share of the panty business already enjoyed by Fruit of the Loom.

No Nonsense, known for its hosiery and recent panty offerings, is also introducing bras this fall. In addition, Sara Lee Corp., parent of Hanes Her Way panties, acquired Playtex last year, providing another opportunity for the Hanes Her Way brand.

The unique thing about these introductions is that they are from companies known for their panty basics. Fancier coordinates of bras and bottoms have given way to a more down-to-earth fashion attitude in this category, according to retailers.

"We find people are buying more basics now, and have been carrying fewer fashion bras," agrees Mary Fay, divisional merchandise manager, Alexander's. The brands featured at the Northeast chain include Bestform, Vassarette (another relative newcomer) and Lovable.

Lovable is a firm trying to revive its basic branded bra business. The company also makes fancier bras under the



Sears presents its intimate apparel in an inviting atmosphere with colorful tabletop presentations.

Bonjour label. Bonjour, like Gitano and Chic continue to address the fashion part of the business, although recent retail sales confirm the strength of basics at this point in the apparel cycle.

Daywear

Camisoles and lingerie coordinates are the items that have most effected the new look of the intimate apparel department. These frillier pieces frame the areas, serving, to draw customers into the sections where more basic items are featured.

Kmart, for instance, recently featured a private label, three-way display of Jennifer Moore camisoles and tap pants which included a graphic that set a romantic tone. It helped create an enticing entrance into the intimate area.

Janice Page, national merchandise manager at Sears, credits more "romantic" styles with updating the look of her largely private-label intimate department.

In the daywear category, the brands that have succeeded in capturing the panty business also offer more casual versions of camisoles that look more like cotton/spandex tanks.

The trend in tanks began with Calvin Klein in the upper market, and has trickled down to brands such as Jacques Moret, Hanes Her Way and Gitano. Basic tank top styles or tanks with lace

edgings have proven successful.

What has helped spur sales for these cotton pieces in functional daywear are the trends in ready-to-wear.

The innerwear/outerwear trend has given rise to lacy slips and camisoles being worn under jackets and peeking out from sweaters.

In addition, though few women may admit it, the short, tight spandex skirt often requires the stretch slip underneath to hide all of nature's flaws. Wal-Mart carries the Lady Manhattan brand of girdle slips for its body-conscious customer.

Coordinates in the daywear category continue to do well for special occasions and remain intimate gift giving opportunities at Christmas, Valentine's Day and Mother's Day.

Panties

Fruit of the Loom and Hanes Her Way continue to dominate the women's panty area. The newer news in the panty business is the increasing use of cotton/spandex blends. The fabric began as a higher price point product, but is now being embraced by the mass market as well.

Regional chains such as Stuarts and national chains like Sears began modest programs with the fabric blend in the fancier area. Sears called its private label line of this fabrication Scants. "The customer is really getting tuned into cotton/spandex," says Page.

Discount brands such as Jacques Moret, Bonjour and Gitano have each introduced their versions of the panty, hoping to get a wider audience.

The biggest brands in the women's market, Fruit of the Loom and Hanes Her Way are both looking into the blend, but are in the development stages.

Beyond fiber, what has occurred in

Discounters Lead in Panties
(\$in millions) 1991 vs. 1990

Outlet	Panties		Daywear		Bras		Sleepwear		Robes		Total	
	'90	'91	'90	'91	'90	'91	'90	'91	'90	'91	'90	'91
Discount Store	419	462	96	94	500	592	424	398	159	150	1,598	1,696
Department Store	276	298	185	165	746	712	484	486	227	204	1,918	1,865
Specialty Store	117	104	121	127	229	222	275	310	116	113	858	876
JCPenney	103	102	73	45	284	260	140	137	100	101	700	645
Sears	85	89	35	42	188	235	133	139	80	84	521	589
Montgomery Ward	11	16	8	7	57	62	25	27	17	19	118	131
Off Price	33	33	34	25	45	48	74	69	31	21	217	196
Factory Outlets	45	56	41	43	82	82	73	69	25	21	266	271
All Other*	97	97	77	77	230	201	133	162	59	94	596	631
Total	1,186	1,257	670	625	2,361	2,414	1,761	1,797	814	807	6,792	6,900

Source: The NPD Group, Inc.

*Includes direct mail catalogs, warehouse clubs, food and drug stores.

this market is an interest in brights. That has not diminished the popularity of the standard pastels, but given the category some added spice.

At Target recently, rich, primary colors in cotton panties created a focal point for the entire intimate department. The panties were hung on a short, slot wall display. Displays for panties vary, however. Large bins are often the no-frills alternative presentation for off-price retailers such as Marshalls, while Fruit of the Loom and Hanes offer both hanging and multi-packaged products for stores.

Alexander's recently brought Fruit of the Loom and Hanes into the store with the manufacturers' own multi-pack floor displays.

Whatever the displays, few can deny the strength of the big two. "Hanes and Fruit of the Loom have both expanded so much and they are so successful for us that we continue to grow with them," says Maxine Clark, executive vice president of soft lines at Venture Stores. The same sentiment is heard throughout the mass market.

Loungewear

As in daywear, romantic loungewear pieces help create atmosphere for an intimate department. However, it is generally the cotton nightshirts and printed oversized T-shirts that are the best sellers in this category.

Sleepwear, in fact, was one of the projected growth categories, according to the NPD purchase panel study. NPD projects a 2 percent unit growth for 1992 in the sleepwear area, after some stagnation in the category.

As with bras, new brands helped infuse some energy into the category. Most notable was the entrance of Vasarette into the mass market.

Fay, of Alexander's noted that a Vasarette goldtone slip nightgown and matching robe recently offered at the chain did extremely well. Price points for these fancier styles can go as high as \$35, she notes.

The more casual pieces, such as the oversized T-shirts, are generally no higher than \$12 at that chain.

Private label merchandise is also prevalent in this category. Private label collections allow a retailer to tell its own story in the loungewear area. That includes creating feminine looks that continue the color theme found throughout the same label within other apparel categories.

At Venture, for instance, Lauren Rogers is the romantic loungewear apparel label. At Target, the store's ubiquitous Honors label is also well developed in this intimate area.



Pictured: Lady Manhattan's romantic teddy by Lady Ester Lingerie enhances in-store merchandising.

Bodywear

Bodywear is another area that benefits from the continuing innerwear/outerwear trend.

Name Brands such as Jacques Moret and Gitano have melded function and fashion in this market within their lines. This has also blurred the delineation between lingerie, bodywear and sportswear. Serious athletes look to the bodywear department for functional pieces. But more often than not, leggings and bright print T-shirts are bought as street looks.

Retailers such as Kmart place the bodywear area closer to sportswear. On the other hand, at an off-pricer such as Marshalls, bodywear extends the lingerie area, but does not necessarily affect adjacencies.

Even more seriously functional items, such as sports bras, are finding customers that wear them for different purposes. It depends on the age and lifestyle of the customer.

According to Mike Monday, bodywear buyer at Kmart, some shoppers, particularly juniors, will wear colorful crop top sports bras by them-

Retailers aggressively pump up Bodywear departments because the category switch hits as street and activewear.

selves, both in the gym and out under a jacket. On the other hand, more modest and often older shoppers, wear them with a T-shirt. Kmart has been doing well with its line of Rachel McLish body wear, which encompasses both functional and fashion looks for bodywear.

Monday does not buy traditional lingerie for the retailer, though at some retailers, the two buying responsibilities are taken on by one person.

The importance of the whole activewear phenomenon has allowed the bodywear area to take on a life of its own. But as the innerwear/outerwear confusion remains, it still is difficult to pigeonhole the category into one retail area.

Whatever the intimate apparel category is, and however it is defined, the new look of both product and presentation at the retail level, should keep sales growing. ▲

—Jill Lettich

Dress furnishings fashions in full swing

Colorful, boldly patterned neckwear, and dress shirts in dark and mid-tone shades, have made furnishings one of the healthiest areas in the world of department store retailing.

Merchants in that tier have dedicated enormous amounts of space to these categories, developing them to produce maximum performance. Numerous tables, featuring shirts and ties in tasteful ensembles, grace department store floors. Racks and glass-enclosed cases feature neckwear displays that are as artfully constructed as the most complex of floral arrangements.

During the last few years, mass merchants have, generally, downplayed dresswear to cultivate an increasingly important sportswear presence. But the

Even stores in rural areas, such as Stuarts and Fisher's Big Wheel, gain from sales blips stimulated by dress furnishings.

fashion that has been a boon to upstairs furnishings departments is trickling—no streaming—down to discounters. Retailers in popularly priced operations are showing across-the-board increases in fashion furnishings, and grappling with ways to get the best performance.

Neckwear

Chicago-based Sears, Roebuck and Co., which unlike many mass merchants has bullishly pursued furnishings as part of its aggressive plan to upgrade apparel at its stores, is posting record-breaking sales results.

"We planned April to have strong double-digit increases in ties, and the increase for the month was about 30 percent over plan," says buyer Jeff Baker.

Fashion, primarily in the form of floral and abstract impressionistic patterns, continues to fuel increases in neckwear at Bradlees, Braintree, Mass., where double digit year-to-date sales gains compound the progress the store made in ties last year, which saw

neckwear gains that also went beyond the single numbers.

Even discounters such as Stuarts, Franklin, Mass., that are casual in orientation, and don't allot significant floor space to ties have been beneficiaries of the fashion bonanza.

"Neckwear isn't a major business for us, but it's running 15 percent to 20 percent ahead of last year because of the new styles, and any business that you can catch that way in today's environment is great. It all filters down to the bottom line," explains Matt Sudhalter, divisional merchandise manager.

Fisher's Big Wheel, located in New Castle, Pa., runs stores that are primar-

ily located in rural areas, where neckwear doesn't play a major role in men's wardrobes. But even Fisher's units have seen a neckwear blip as fashion worked its way into store assortments.

"There are still plenty of people in the United States who have not bought their first floral tie," explains Baker, who believes neckwear's fashion run is far from over.

Most mass merchants agree with Baker, but at least one maker of discount store-oriented neckwear plans to change the merchandising approach of his lines for fall. "We've been in an anything goes fashion cycle, but in the next few months, there will be a move to stripes and micro-

neats," says William Aron, president of M. Aron, which, in addition to private label merchandise, produces neckwear with the Gitano moniker.

The added value of fashion has allowed some mass retailers to trade up in price, although high tickets certainly have their limitations. \$9.99 remains a key price point at discount stores, though ties that sell for \$11.99 and \$13.99 were on the floor at several operations this year.

"We had a fair degree of success with silks at \$11.99, but micro-fiber goods at \$13.99 didn't really do well, despite the fact that the ties were beautiful," reports Bradlees' Devorkin. ➤



Mass merchants have gained incremental business by expanding fashion presentations. Shirt and floral tie by Manhattan. Gitano's tie sports a novelty motif.

Dress shirts

Fashion dress shirts, in dark shades and non-traditional fabrics, were not initially embraced by the mass market as readily as trendy neckwear. However, shirts of this nature have gradually been added to the retailing mix, generating plus business for discounters and mass merchants.

Fashion dress shirts accounted for only a minimal proportion of the merchandise mix at Bradlees during 1991, but these items currently generate about 30 percent of dress shirt sales at the store.

"The new colors, shades of dark green and blue have been very well received by our customers," says Devorkin, whose shirt department is running several points above his year-to-date plan.

Stuarts is also expanding its dress shirt selections. The company has purchased a group of dark-hued items from Botany 500 for Father's Day to augment its assortment of other labels that include Sasson, Manhattan and McGregor. "The base of our dress shirt department is still basic, but we've been playing around with fashion deeps and mint shades," says Sudhalter, who reports that the category as a whole is running slightly ahead of last year.

Although many discounters are still feeling their way in the dress shirt fashion arena, Sears retailers are convinced they can sell fashion—and lots of it.

The store has successfully tested wooden haberdashery-style tables that feature fashion dress shirts, and Baker estimates that by July Sears will have these displays in 600 stores.

Part of renovated furnishings areas, the new fixtures have helped Sears highlight merchandise than not only stretches the store's ability to market updated goods, but its price points as well.

Last fall the store tested all cotton dress shirts—pin point oxfords retailing for \$28—successfully under Sears private 1886 label as well as under the John Weitz brand. For fall '92 the company plans to extend the program to even more stores. Sears has also been marketing a polyester/cotton micro denier fiber dress shirt under the John Weitz label for \$25. The initial test in March was, says Baker, "incredible."

"Our goal is to offer updated fashion that is comparable to department stores, but at lower prices," Baker says.

The fact that mass merchants have been able to successfully market fashion furnishings—apparel generally worn for serious occasions—lends fuel to the supposition consumers are starting to view these outlets as genuine apparel destinations, not simply places to pick up a casual item on impulse.



Discount retailers are updating their dress furnishings assortments: Shirt and novelty railroad tie by McGregor; updated paisley tie from Manhattan.

Discounters finish second in units (Units in millions)

	1990	1991
Department stores	45.8	47.0
Discounters	35.5	32.7
*Chains	33.6	32.7
Specialty stores	18.0	19.2
Off-pricers	16.0	15.0
Other	22.5	20.6
Total	171.4	167.2

*Chains: Sears, JCPenney, Montgomery Ward
Source: NPD research

Department stores and chain stores dominate dollars (\$ in millions)

	1990	1991
Department stores	793.2	834.4
*Chains	472.3	477.8
Specialty stores	364.0	397.3
Discounters	317.3	310.2
Off-pricers	200.3	208.1
Other	261.1	329.6
Total	2,408.2	2,557.4

*Chains: Sears, JCPenney, Montgomery Ward
Source: NPD research

MERCHANDISING THROUGH THE AGES: UNDER 13

Television Is Best Medium for Getting Message to Children

The Nickelodeon children's network has given a whole new meaning to children's marketing. If you want to be seen by a kid, it's one of the best places to show off a product.

Nickelodeon is currently seen in about 56.2 million households. Like its parent, MTV, it has become the place where kid trends happen.

"Kids are very visual; that's how they think," said Kathy Yohalem, president, Yohalem & Associates, a marketing firm. "Television is a very effective advertising vehicle."

It works better, she believes, for manufacturers than for retailers.

"If a kid sees another kid with something—that's what the kid wants; but they really don't care where they get it until they are older," Yohalem noted.

Gitano plans to take advantage of the visual impact of television and has planned its first foray into television marketing directly to children for back-to-school.

"When it comes to media, we have always focused on the

mom, with ads in publications like *Redbook*," said Valerie McGuire, account manager, Gitano. "This back-to-school, however, we are also doing national advertising on 'Scratch,' a children's game show on Nickelodeon."

Kevin Foley, executive vice president, Radius Corp., began advertising the company's special children's toothbrush on Nickelodeon in March. Radius is an oversized toothbrush that comes in a range of hot colors.

Toothbrushes seem an unlikely product to promote to children, but Foley feels strongly about the importance of attracting kids.

"We're seen about 10 to 12 times a month," Foley reported. "It's not exactly a product that kids will pickup on their own, especially when the Toys 'R' Us H&BC department has it placed 3 feet, 8 inches above the ground. We just hope that we get enough interest that children may ask parents to buy it."

Kids react not only to the advertising they watch during their favorite shows, but are



'Beverly Hills 90210' spawned licensed T-shirts, stationery and these Mattel action figures.

also influenced by the programs themselves.

In a BKG Youth/Gannett for Kids study, 39% of kids questioned named MTV as a favorite program. That response can be traced to the popularity a year or so ago of baggy "Hammer pants," named after the rap star who

made them famous in his music videos.

Likewise, the No. 2 mention, "Beverly Hills 90210," spawned a collection of licensed T-shirts and stationery. This past February, Mattel introduced action figures of the show's main characters.

Not as successful was the Michelle doll, which was named after the character in the series "Full House." The show continues to get high ratings, however. In the last quarter of 1991, it was the most watched program for girls between the ages of 6 and 11. It ranked fourth most watched show among boys of the same age.

Cartoons are also an important vehicle. The life of the Ninja Turtles and Ghostbusters was definitely prolonged by ongoing cartoon series. "Batman" and "The Addams

Family" cartoon shows will be introduced in the fall. Producers hope they will keep up the momentum begun with those properties' movie introductions.

Despite their being visual creatures, even in their viewing habits, children remain fickle, at least as much as their parents when it comes to using a hand-held remote control.

In a Children's Research Services/Sports Illustrated for Kids survey, 82% of children said they used a remote control. About 82% said they used it to "see what's on another channel during a commercial." Another 75% said that they "change the channels so you won't have to watch the commercials."

More painful to note, is that in the same study, 63% of kids said that an ad in a magazine was more truthful than a television commercial.

Children's Market a Retail Goldmine

(Continued from page 65) recommend. A 3-year-old will accompany a parent and select with permission. At four, with parents accompanying them, they make independent purchases. By five, kids are looking around the store on their own and making independent purchases," she noted.

Marketing to children can be controversial and any company working in that market must take precautions so that it is not labeled as one that takes advantage of young innocent children. Because of this issue, *Sports Illustrated for Kids* has stayed away from offering discounts for magazine subscriptions or from using premiums. "We wanted to be as clear and direct as possible," said Mark Stanich, consumer marketing director for the publication.

Both *Sports Illustrated for Kids* and *Zillions* send magazines free of charge to a number of urban "at risk" schools.

Another way that retailers can try to tackle this problem is through kid-oriented community programs, which allow the store's name to be front and center, and also benefit the community.

Target's Kids For Saving Earth club is an example of a

successful environmental program that involves children. Target benefits from positive name recognition among the children involved through their schools and communities. It also helps the retailer attract customers. During this past Earth Day, a range of Kids for Saving Earth merchandise was on display, in-

cluding stationery and toy items. Half of the proceeds, according to Target, went back into the environmental program.

Reading programs have also become pet projects of Kmart and regional chains, such as Stuarts.

No matter how admirable these efforts, no well meaning community program will take the place of a clown with balloons in attracting kids.

"Kids like crowds, brightly

colored store signs and things hanging from the ceiling," said Salzman. "They want to be treated like celebrities," he said.

Other things to remember: they are a literal bunch, so the direct approach is best. Animals help in selling a product, as well. Salzman noted that kids see animals more than

Sears Adds Fun for Kids

(Continued from page 71)

us drawing power. The whole department overall has to keep evolving. The idea of the play area may be outdated in a few years."

Duvic admits that one of the most kid-driven categories—toys—remains a weak point for Sears, in both traditional and electronic toys. "We haven't yet reached the ultimate in that presentation," he said. "The area has lower margins than our apparel, but it is a multibillion dollar business and keeps growing."

He expects to have a revamped Fun Tronics section in about 500 stores by the third quarter of 1992. It will include more interactive games and merchandise.

Sears is more successful in its apparel presentations in Kids & More. "In focus groups that we've done and information we've gotten from our vendors, we know that color and style is very important to children. And brands are important to them as well," he said.

"What we have tried to do in power format stores is take color and fashion and use our fixturing and wall space to highlight products vertically. We're using brands to create focal areas and attract customers," he said.

The department has a shorter distance between the main aisle and the back wall, Duvic said, allowing for fashion apparel wall presentations visible from the front aisle.

He agrees that keeping up with children can be difficult, given their lack of loyalty to retailers. "When something is hot, you had better have it. We're leaving more open-to-buy dollars so that we can shorten our lead time and react to trends closer to season," he noted.

Weekly Allowances (Ages 8 to 12)

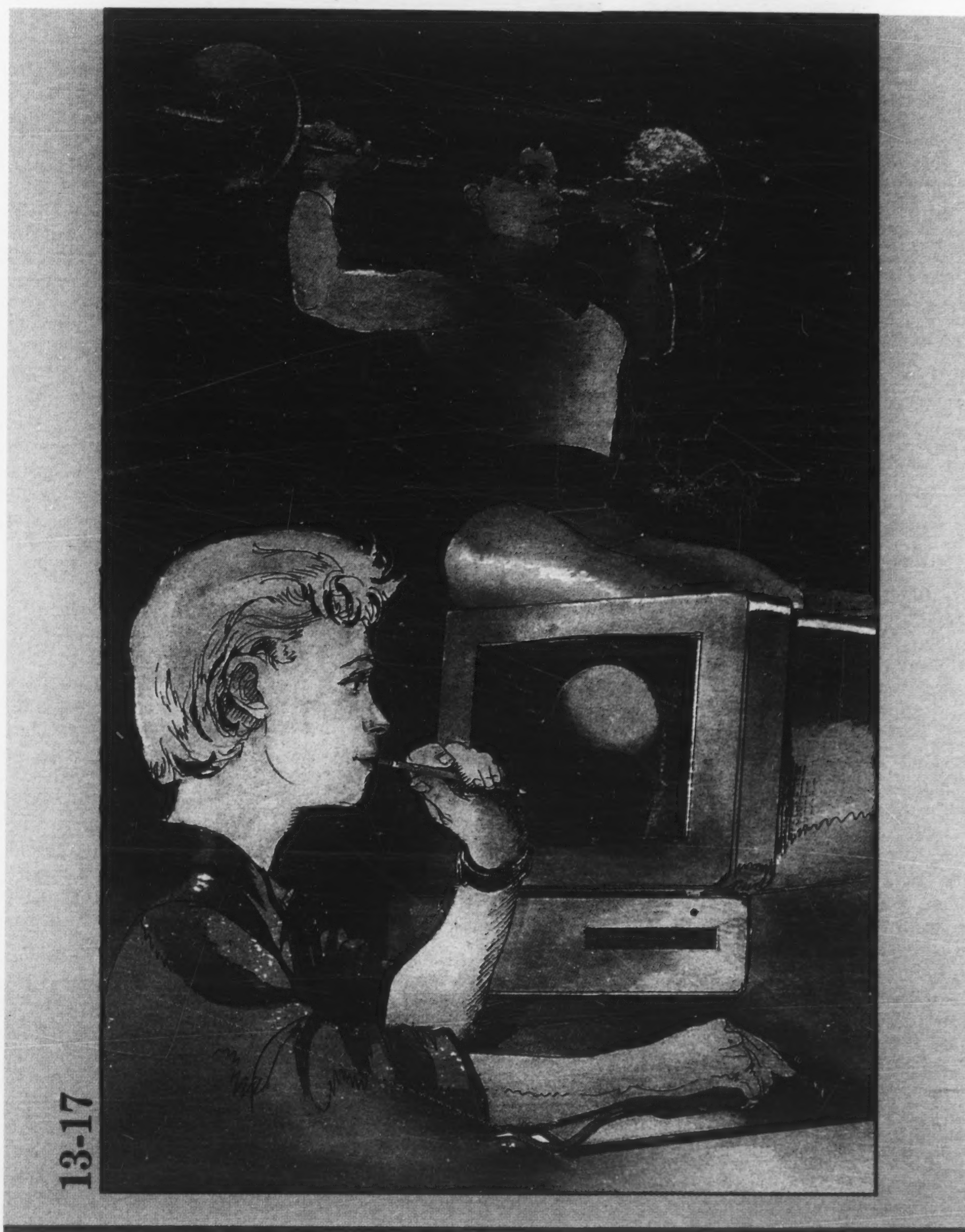
	Total	Boys	Girls
Get Allowance	64%	65%	64%
Allowance Average	\$5.87	\$5.06	\$6.68
Spend It All	24%	26%	23%
Save Some	75%	74%	76%

Source: Child Research Services/Sports Illustrated for Kids

twice as often as adolescents and adults when taking a Rorschach ink blot test.

The best approach is usually two-pronged. "This fall, Gitano will continue to advertise to Mom, in such publications as *Parents* and *Parenting*," said McGuire of Gitano. "But we recognize the importance of reaching the kids and building brand loyalty during the early ages, so we will also be advertising in *Disney Adventures*."

MERCHANDISING THROUGH THE AGES: 13-17



13-17

Teens have
no real loyalty
to any
particular
chain, but they
do tend to
gravitate to
stores that
carry their
favorite brands

Retailers' Challenge: How to Build Loyalty Among Fickle Teens

By Laura Liebeck

They're faddish and fickle, and have \$82 billion in spending power.

They are teenagers.

Although the number of teens declined in America in the 1980s, the ranks of 13- to 19-year-olds will swell this year and throughout the decade. With their growing numbers will come more spending money.

In fact, teens have so much money to spend, about \$50 per week on average, that four

years ago *The New York Times* proclaimed that American teenagers spend more than the "combined GNP's of Portugal, New Zealand, Panama, Chile and Iceland!"

The big questions remain: Where will they spend money and on what? The answers are varied and often predictable, if you understand teens.

According to a survey of product usage and preferences of teens conducted in 1990 by STARS (Simmons research on teens) teens experiment with nearly every kind of consumer product relating to

their life. They try everything from mascara to cold remedies in search of the item and brand that works best for them.

Almost without exception, the early years of a teen's life are spent trying numerous products in search of the one or ones that best suit her or him. By the time a teen is 18, brand loyalty stands at 50% in most categories. Getting a teen to choose a particular brand over another is the challenge facing manufacturers. Getting them to shop a specific store or chain is the challenge facing retailers. The key is getting to them early, while they are experimenting and before they make a final decision.

Clearly, manufacturers are well ahead of retailers on that score, especially when it comes to personal care items like feminine hygiene products, cosmetics and snack foods.

Teens shop every kind of retail outlet including discount stores. They have no real loyalty to any particular chain, however. They do tend to gravitate to stores that carry their favor-

ite brands, offer service, price merchandise fairly, treat them respectfully, and offer an atmosphere that appeals to their sense of style. Generally, the preferred stores are located in a mall, where teens are offered a variety of shopping options and can enjoy another important shopping qualification: being seen.

But they do shop mass merchandisers.

Research conducted by STARS in 1990 revealed that 34% of female teens aged 12 to 19 said they shopped at Kmart, spending \$1.71 billion annually. In second place was JCPenney, with 27% of female teens shopping there and spending \$1.81 billion, followed by Sears, 17% and \$1.15 billion, and Wal-Mart, 16%, and \$1.14 billion.

In a 1991 MRI Teenmark Study released by *Teen Magazine*, a monthly consumer magazine aimed at high school girls, 66% of the magazine's readers said they shopped at a discount department store in the past three months. Read-

(Continued on page 76)

MERCHANDISING THROUGH THE AGES: 13-17

Teens: A Retailing Challenge

(Continued from page 75)
ers of other teen magazines—*Seventeen*, *YM* and *Sassy*—answered similarly.

"It's amazing to me the number of teens that shop mass merchandisers," said Jay Cole, publisher of *Teen*. "Kmart has been a leader in this area of trying to reach young people, not only teens, but below the teens, they have been very, very aggressive." He noted that 30% of all teens in this country told his magazine that they walk into a Kmart store every three months.

Other findings in the STARS 1990 report showed:

- 26.8% of teens, both boys and girls, take advantage of bargains and sales, particularly 16- and 17-year-old girls (40%);
- 31.7% report they are careful how they spend their money, especially 18- and 19-year-olds (50% for girls and 35% boys);
- Brand loyalty increases

How Much Money Do Teens Spend Weekly?

Their Own Money

Age	Amount
12-15	\$ 20
16-17	\$ 37
18-19	\$ 75
Mean:	\$ 37

Including Parental Contribution

12-15	\$ 37
16-17	\$ 60
18-19	\$101
Mean:	\$ 59

Source: Teenage Research Unlimited, Fall 1991 Study

Pleasing Teens: A Tall Order				
(Ranked by Percentage of Teens Who Felt The Store Did An Excellent to Outstanding Job In Each of the Categories)				
	Drug Store	Grocery Store	Discount Store	Deep Discount Store
Store Appeal	57.4%	35.4%	44.3%	40.4%
Price	52.2	26.3	63.2	67.0
Product Organization	60.0	30.4	63.2	43.4
Sales	47.0	28.6	57.1	52.0
Comfort	51.2	33.9	49.1	45.0
Product Selection	55.3	18.1	57.0	49.5
Accommodation	32.5	17.4	33.6	27.0
Product Security	48.7	15.7	44.4	37.6

Source: Drug Store News 1991

with age.

Overall, teens spend more time in department stores, probably because of the mall location, than any other type of retail outlet. According to a Fall 1991 poll conducted by Teenage Research Unlimited, a market research firm based in Illinois, 78% of teens surveyed said they shopped in a department store at an average of four times a month in the last 30-day period. Forty-four percent said a discount store, an average of 1.7 times a month; convenience stores, 76%, an average of 5.4 times monthly. Sixty percent said they shopped in a record store in the last month.

In 1991, the \$82 billion that teens aged 12 to 19 spent at retail was a combination of money they earned themselves and money given to them by parents, said Marla Grossberg, manager of research

services at Teenage Research Unlimited. Some of the money the teens spent last year included purchases made for the family, such as groceries.

Generally, though, teens concentrate their purchases on areas important to them. For males, buying music and entertainment items top their list and for females, cosmetics is No. 1. Food, particularly snack foods, is important to both sexes, said Grossberg.

Brand loyalty is linked to the products they use most of-

ten. For example, the No. 1 category teens are most loyal to is tampons and pads, followed by shampoo and deodorant, hair conditioner, hair gel and mousse, acne medications, chewing gum and potato chips, she said.

Males, apparently, have more discretionary income than females do because girls' money is tied more closely with family money, i.e., grocery shopping.

Advertising approaches that are more likely to attract teens to a product are closely linked with image and are done in an honest, direct way, experts said. Teens tend to be literal in their interpretation of slogans, "aspirational," meaning that they want to feel older and more in control of their lives, and quality conscious.

Specifically, when deciding on a theme for advertising to teens, experts suggest the direct approach that appeals to their maturity and using models that show teens at their best. Likely messages to attract teens, according to Teenage Research Unlimited, are, in order: products that are safe for the environment, 49%; perceived as tasting, looking or performing better, 37%; or appeals to their life-

(Continued on page 83)

Where Do Teens Shop?

Where	How Often (monthly)	% of Teens
Convenience Stores	5.4	76%
Dept. Store	0.4	78%
Discount Store	1.7	44%

Source: Teenage Research Unlimited, Fall 1991 Study

Kmart to Lure Teens, Expand Customer Base

TROY, Mich. — Kmart is aggressively working to tap growing teenage spending (teen per capita spending doubled in the last 10 years to \$2,800) and is looking to create a loyal base of future shoppers.

Kmart is the discount store of choice for more than 34% of teens aged 12 to 19, according to a STARS 1990 poll. That same survey revealed that teens visit a Kmart store at least once every three months, which helps ring up \$1.71 billion in receipts a year, STARS said, outpacing all other retailers except JCPenney, which pulled in \$1.81 billion from teens.

While these are impressive numbers, they are not impressive enough if Kmart is to remain a dominant retail force with the next generation of shoppers.

Kmart is currently reviewing ways to improve its penetration of the teen mar-

ket. No details are available yet on exactly what the No. 2 discounter is going to do to grow the market. It is likely, however, that Kmart's main focus on the teen market, its Miss Teenage America program with *Teen Magazine*, will be expanded.

For the last eight years Kmart has been the only retail sponsor of the Miss Teenage America contest, an achievement/scholarship program for high school girls spearheaded by *Teen* and covered extensively by the magazine.

Ten thousand girls a year enter the program to win the contest's booty. To enter the contest, contestants must fill out an entry blank at a Kmart store, thereby drawing the girls and their families into the store.

The winner receives a host of prizes from Kmart, including a \$15,000 college scholarship and a year's worth of



17-year-old Samantha Zogg, winner of the Miss Teenage America contest.

clothes she personally selects at Kmart's Fashion headquarters in North Bergen, N.J., and 200 to 300 pairs of shoes.

The winner and her prizes are announced and given editorial coverage on the pages of *Teen*.

In addition, the winner, who serves a year's term, appears in Kmart advertising

circulars, two magazine ads a year (spring and fall) in a popular teen magazine, and in numerous public appearances for Kmart.

(This year's winner, Samantha Zogg, 17, also has modeling and appearance opportunities with the contest's other sponsors: Bonnie Bell, Caboodles, Kotex and Studio Line.)

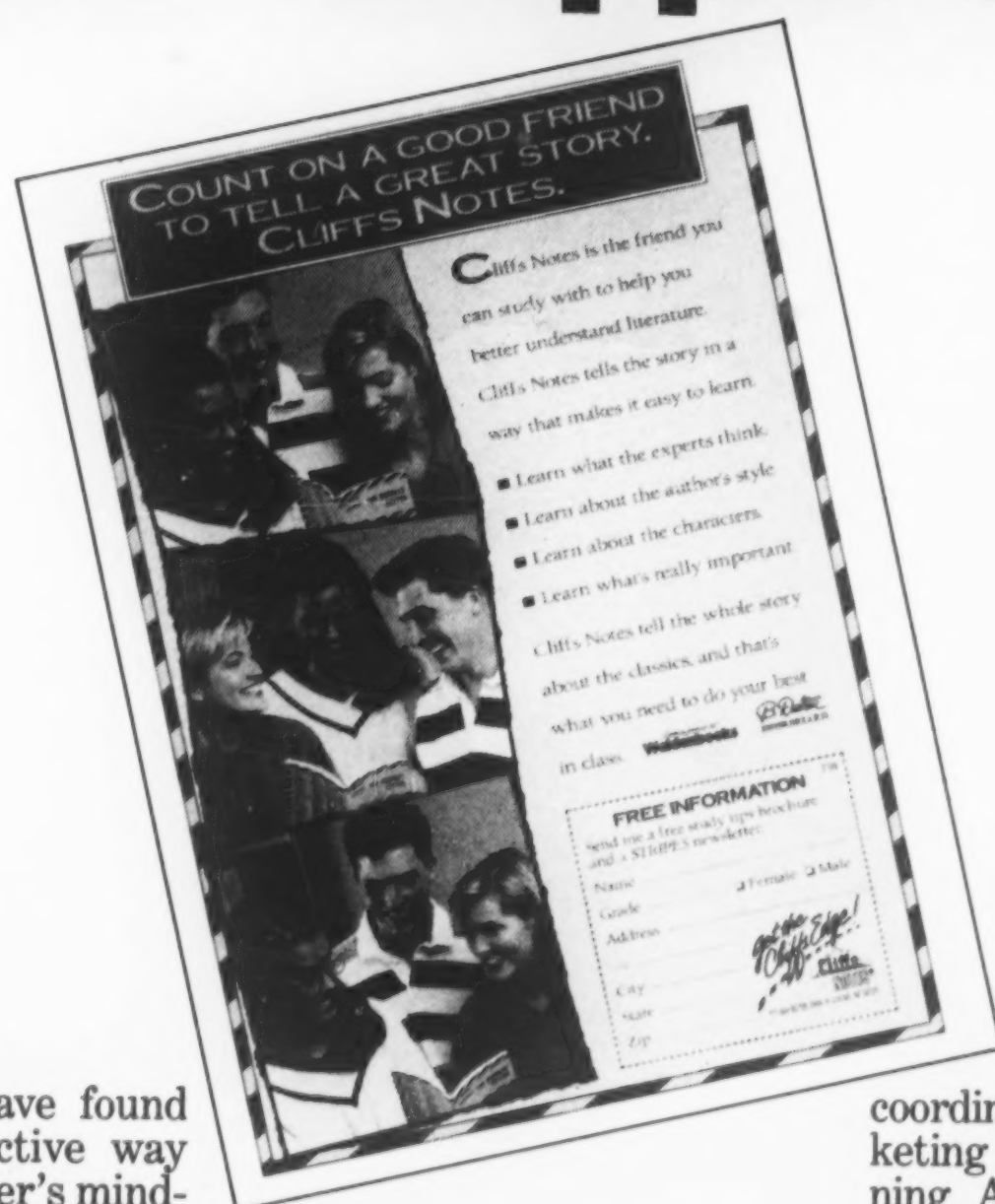
During pageant week, which also is covered extensively by *Teen*, Kmart sponsors a shopping spree for the event's 12 finalists, giving them \$100 to spend on an outfit. The girls get to keep everything they choose, said Joy Corneliussen, a spokeswoman for Kmart.

The theme for this event, which is judged based on a girl's creativity, is shopping on a budget. The three grand prize winners—one for each themed category chosen that year—gets another \$100 in prizes, Corneliussen said.

Kmart has
been a leader
in this area
of trying to
reach young
people

MERCHANDISING THROUGH THE AGES: 13-17

Discounters Utilize Teen Mags to Reach Elusive Shoppers



Discounters team up to utilize the pages of *Teen* with ads from Waldenbooks and B. Dalton who cosponsor advertisements for Cliff Notes, far left, and Fashion Bug and Caboodles who teamed for a spring promotion.

Discounters have found that an effective way into a teenager's mindset is through the pages of teen magazines.

Ads from retailers as varied as Kmart, Sears, JCPenney, Fashion Bug, Clotheshime, Waldenbooks and B. Dalton grace the pages of publications like *Seventeen*, *Teen*, *YM* and *Sassy* in the hopes of piquing a teen's interest and luring them into the stores. Specifically, the retailers are trying to attract teens to their cosmetics, health and beauty care and apparel departments.

Therefore, the most popular advertising themes for these retailers closely resemble the focus of the magazines.

Of course, the magazines also are available on many retailer's shelves either in the book/magazine department or at checkout. (The only exception to this is *Sassy's* new magazine for boys 14 to 19 called *Dirt*. Introduced in March, *Dirt* is being sold only in alternative retail outlets like comic book shops and record stores, said public relations manager Genevieve Nelson.)

For example, a recent ad appearing in teen magazines advises readers that Cliff Notes, abbreviated versions of books with additional information on author style and plot meaning, are learning aids available at Waldenbooks and B. Dalton, co-sponsors of the ad. Cliff Notes are often merchandised on the same magazine racks as teen magazines.

Other programs also take a

Teenagers, both male and female spend an average of 2.6 hours a week reading magazines, their chief source of information.

coordinated approach to marketing to teens, such as "Winning Attitudes Be A Model" program by Sears and *Teen*, and the joint promotion by Sassaby, Bold Hold and Alyce Designs which combines cosmetics organizers, hair care and an apparel vendor in one ad.

Another retailer with a similar program is Fashion Bug, which often offers coupons in their ads that teens can clip and apply to purchases, in addition to doing advertorials. In fact, Fashion Bug recently teamed up with Caboodles for a spring promotion. Sassaby and Alberto joined forces recently as well and Kmart co-sponsors the Miss Teenage America Contest with *Teen* magazine, Bonnie Bell, Caboodles, Kotex and Studio Line, and receives extensive coverage in the magazine. JCPenney and *Seventeen* work together on a model search contest.

"The girls will read a magazine from cover to cover looking for advice because they don't want to use [information] wrong. They want their individuality but not in the wrong way," said Carole Millsaps, marketing manager for Maybelline, a frequent advertiser in all the teen books and the cross-over publications of *Glamour* and *Mademoiselle*.

It's no wonder then that with such regular topics like fashion, beauty care and personal hygiene plus various social issues that the teen magazines constitute the chief reading material for teens.

In fact, teenagers, both male and female spend an av-

erage of 2.6 hours a week reading magazines, their chief source of information.

"The market is very elusive," said Jay Cole, publisher of *Teen Magazine*. "The traditional forms of reaching people don't work with teens, such as the newspaper. They don't read the newspaper and don't get information from TV either."

Teens reading magazines is very good news for advertisers, manufacturers and retailers since teens, especially girls, tend to stockpile magazines for sharing articles with others or rereading themselves.

What Teens Read	
Girls	Boys
<i>Seventeen</i>	<i>Sports Illustrated</i>
<i>TV Guide</i>	<i>TV Guide</i>
<i>Teen</i>	<i>Cable Guide</i>
<i>YM</i>	<i>Senior Scholastic</i>
<i>Senior Scholastic</i>	<i>National Geographic</i>
<i>Sassy</i>	<i>Time</i>
Source: Teenage Research Unlimited, 1991	

What they read is both expected and surprising.

Girls, 77% of whom say they read for pleasure, list the following publications as their favorites: *Seventeen*, *TV Guide*, *Teen*, *YM*, *Senior Scholastic*, which is distributed in school, and *Sassy*, according to Teenage Research Unlimited, a consumer research firm headquartered in Northbrook, Ill.

Boys, 68% of whom say they read magazines for pleasure, list their favorite magazines as:

Sports Illustrated, *TV Guide*, *Cable Guide*, *Senior Scholastic*, *National Geographic*, and *Time*. The latter two publications are read mostly because they are already in the home, probably purchased by their parents, explained Marla Grossberg, manager research services at Teenage Research.

The favorite magazine section is similar for both boys and girls: entertainment. Boys list their favorite section of the magazines as entertainment (stars, movies) followed by feature articles and fiction. For girls, beauty and fashion lead followed by entertain-

Teens Favorite Magazine Sections	
Girls	Boys
Beauty & Fashion	Entertainment
Entertainment/Feature	Feature
Advice	Fiction
Source: Teenage Research Unlimited, 1991	

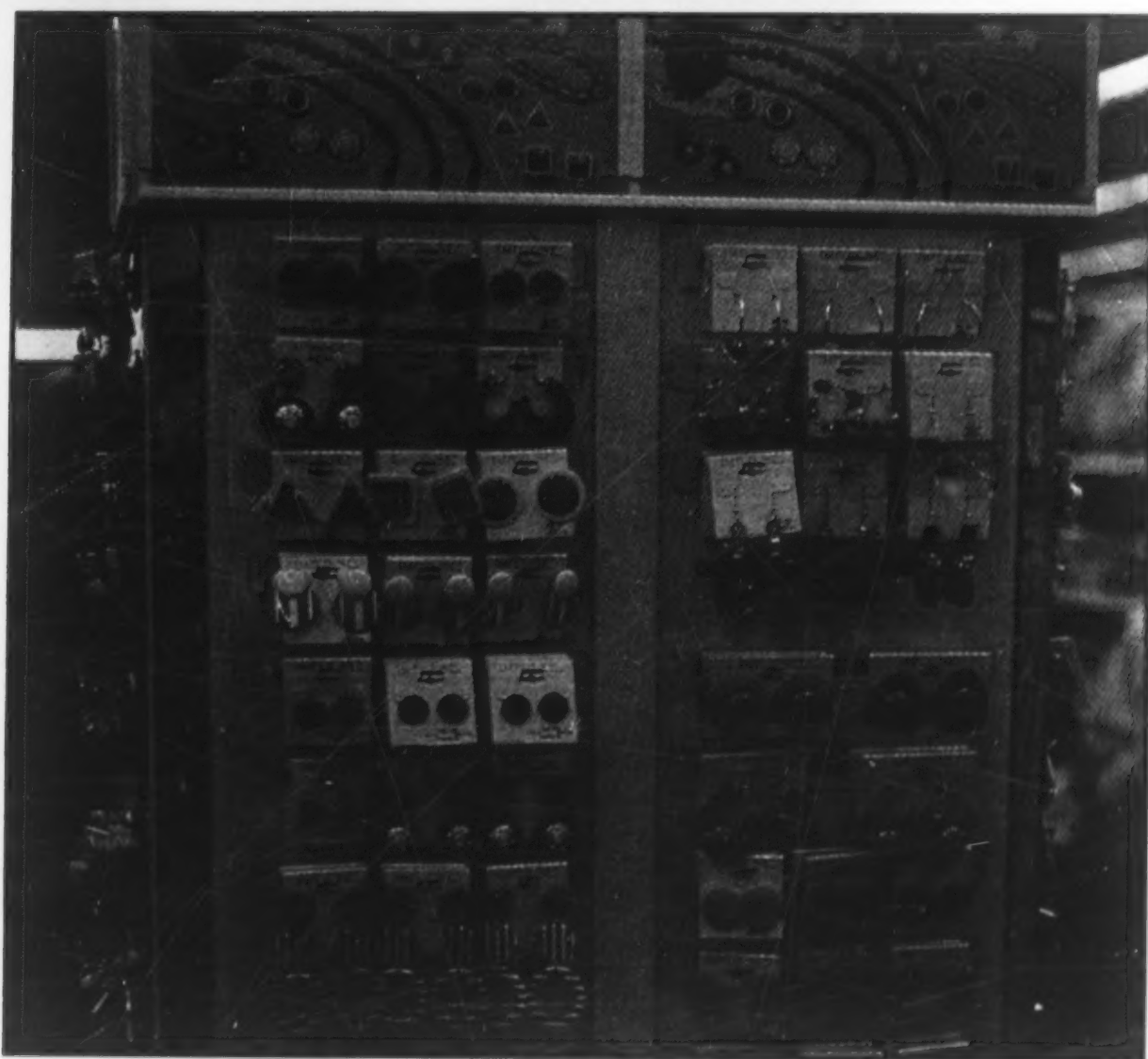
ment and feature articles, which tied each other, and advice columns.

The key editorially, which is also reflected in the ads, is self image, said Cynthia Bell, beauty editor for *Seventeen*.

With 1.75 million teen readers plus another 2 million aged 18 to 24, *Seventeen* is the largest of the teen publications. The responsibility of the publication, said Bell, is to guide the girls, step by step, into the next stage of their lives.

MERCHANDISING THROUGH THE AGES: 13-17

H&BC Brand Choices Are More Than Just Skin Deep to Teens



Kmart amply displays a line of costume jewelry earrings.

Having fun and looking good are the key themes manufacturers use in appealing to teens, especially when it comes to cosmetics, health and beauty care items and costume jewelry.

Almost without exception, the model is younger—generally an older teen who embodies the aspirational qualities of younger teens—the copy is hipper and the package colors are more alive. The message, however, remains essentially the same as adult-oriented products: looking prettier and feeling more confident with the product than without it.

In addition, special cosmetics formulations that contend with youthful skin and their evolving lifestyle are a hit with teen girls, experts report. Moreover, the niche marketing and product development programs cultivate a brand loyal customer as young as 12 years old.

As a result, there is a tremendous amount of brand loyalty in the cosmetics industry at the youngest ages.

For example, according to a study conducted in 1990 by STARS, a Simmons research program for teens, 60% of 12-year-old girls said they use cosmetics, 39.8% claiming to be sole brand users. By the time girls are 18 and 19 years old, sole brand users in cosmetics rises to 46.1%.

This level of brand loyalty in cosmetics outstrips that for

With \$50 a week on average to spend on themselves, teenage girls put cosmetics at the top of their shopping list.

hair care, fragrances, suntan/sunscreens, headache/allergy medication, oral care, depilatories, and disposable shavers for 18- and 19-year-old girls.

Only in such areas as personal/feminine hygiene and health care products like tampons (60%), facial skin care (55.4%), acne medication (66.5%), and vitamins (53.9%) do the sole brand loyalty numbers exceed those for cosmetics.

With \$50 a week on average to spend on themselves, teenage girls put cosmetics at the top of their shopping list.

According to a 1991 survey of teen preferences on cosmetics conducted by *Teen Magazine* and *Drug Store News*, a sister publication to *DSN*, teen girls spend in excess of \$5 on average per cosmetics/beauty care organizer item. That is tied with perfume/colonge and ahead of blush (\$4.46); powder makeup (\$3.98); body sprays (\$3.82); facial masks (\$3.72); and bath and body care items, (\$3.47).

Companies such as Cover Girl and Maybelline, cosmetic leaders overall and especially strong with teens, have long had cosmetic lines specifically for girls as young as 12 and have been able to reap the benefits of those programs by keeping a loyal adult customer.

They're not the only ones.

Chad Mollica, executive vice president for R.N. Koch, N.Y., a costume jewelry manufacturer, started producing Young

Sophisticate and Petites, for teens, and a junior line, New Dimension, five years ago, plus licensed goods for Gitano, that appeal directly to the fashion forward teens.

The price/value equation is very important to this customer, Mollica noted, and monthly updates are required to keep the teen lines fresh and on-trend.

"We work very close to the market," said Mollica. "A certain amount of pre-planning [is necessary as is the ability to] fly by the seat of your pants."

Key to both the jewelry and cosmetics lines are contemporary packaging, signing and promotions aimed directly at teens with the proper imagery.

"It is necessary to do this so the teenage consumer feels that she is stepping into that lifestyle; the benefit fits her need; the message is direct and relevant to teenage lifestyle," said one cosmetics manufacturer.

The results are tangible. A cosmetics usage study released by *Seventeen Magazine* last year revealed that cosmetics usage among teens who use the products is up over the previous year. When asked whether they are using more, less or about the same of a cosmetic compared to a year ago, the big winners were lipstick, up 51.5%, and lip gloss and nail strengthener/hardener, both up 41%.

The *Seventeen* study further

revealed that cosmetics use by teens is well entrenched: 90% use lipstick; over 85% blusher; and 80% wear mascara. In addition, high usage numbers exist for face powder, foundation, eye shadow and just about everything else.

The growing ranks of teen girls provide both manufacturers and discounters with additional sales opportunities in the future. However, several experts noted that today's teen is a discerning shopper and a flood of new products may not be the only answer.

Teen girls report they are most interested in in-store service, product selection, and price, said Jay Cole, publisher of *Teen*.

"Today's teens are much more sophisticated than 10 years ago. They have more, spend more, and take a lot more into consideration when we come up with a product," said Carole Millsaps, marketing manager for Maybelline. "You can't just come up with something and put it out there and expect them to buy it."

Cosmetics programs must be comprehensive, direct, and honest. Maybelline has just expanded its line of Shine Free, oil control cosmetics for teens to include a blusher, and redesigned its packaging for a more contemporary look.

Also for teens, Maybelline offers Blooming Colors liner pencil, and Kissing Koolers and Kissing Potions lip products.

Teens Learn About Cosmetics From:

Magazines	52.9%
Store Displays	20.7
TV	15.7
Friends	6.6
Other	3.3

Source: Drug Store News/Teen Magazine, 1991

Teens Buy Cosmetics Impulsively

Whenever I See Something I like	68.6%
Once A Month	21.5
Once A Week	5.8
No Answer	2.5
Never	1.7

Source: Drug Store News/Teen Magazine, 1991

MERCHANDISING THROUGH THE AGES: 13-17

Service, Atmosphere Are Key to Retailers' Future Teen Sales



ShopKo's Music and Movies department, left, sports high tech displays, neon lights, TV monitors and popular music, for the sights and sounds popular with '90s teens. Clover's junior department, right, pulls together youth-oriented apparel with photos of today's teen girls.



Appealing to the faddish teen market will soon cease to be an option for discounters. It will be required.

With the teen population growing, discounters will find that they cannot afford to avoid this wealthy group of consumers. Among mass retailers, a healthy respect for this potent shopper is likely to emerge this decade and with it store merchandising and marketing programs aimed at luring teens through the front door and down the aisles, and not just to the video and CD departments.

This is already happening, albeit slowly. For example, a number of discounters have embraced the Gitano apparel shops that feature high tech-looking displays and TV monitors in their junior and young men's departments.

Suggestions from a number of retailing experts include:

- Reviving teen boards;
- Hosting beauty workshops and fashion shows;
- Holding contests;
- Making the shopping environment more fun and lively by using music and video in the presentation;
- Providing teens with a place to be seen, perhaps even establishing meeting rooms for them in the store.

The key, noted Peter Monash, a retailing consultant based in Columbus, Ohio, is "providing an exciting and moving environment." Teens must feel comfortable in their shopping world and the more closely discounters try to make their stores resemble shopping malls the better they will do with teens.

Monash also feels that the recent socioeconomic pres-

sures that have constrained adult purchases in the last few years are likely to impact teen purchases in the future.

As a result, Monash postulates that teens will take a more "sober attitude at retail and not as much frivolity. Therefore, they are likely to buy less, holding onto money for college."

If that is true, discounters may have the inside track. Monash said it is likely that teens in the '90s will have more realistic spending habits, concentrating their purchases, like their parents have done, on home-based items.

Providing teens with sales assistance will be more important in the '90s, added Jay Cole, publisher of *Teen*, a magazine for high school girls. Research studies consistently reveal that teens want and need sales help and gravitate to the stores that provide it.

Cole also is in favor of reviving teen boards as a way of centering teen activity at the store level. He noted that JCPenney has been experimenting with it again, doing testing on a regional basis. He said Sears is looking at more magazine promotions, and Kmart is reviewing ways to further develop its participation in the Miss Teenage America contest.

"It's all a matter of distinguishing themselves in the marketplace," said Sid Doolittle, partner in McMillan/Doolittle, retail consultants. "It's a great time to discuss specialty niches, to figure out ways to satisfy today's teens." Doolittle, in favor of reviving teen boards, recalled that Montgomery Ward's old Wendy Ward program featured a national coordinator, a model, and chap-

ters in every city. At the store level, clinics were held on how to use apparel, wear make-up, and various other products, sometimes with the instruction of a guest vendor.

According to David Miller,

president of the Toy Manufacturers of America, arcade games using real flight simulation technology used during the Persian Gulf War are already in production for traveling amusement parks and appeal

greatly to teens seeking reality, interactive endeavors. Eventually this technology will decline in price and could make its way into smaller versions for in-store programs and then into home games.

Retailers Tap Teen Niche

(Continued from page 76)
style, 34%.

U.S. Census Department figures show that Americans 17 years and younger totaled just over 64 million in 1990 and will swell to 65.7 million by the year 2000. Census forecasts that teens aged 12 to 19 will grow by 10% this decade.

It's important to note that as teenagers mature, their wealth grows. According to Teenage Research Unlimited, the average teen spends \$37 a week of her/his own money or \$59 weekly including earned and parental contribution.

The 1991 Rand Youth Poll calculates that teens aged 12 to 19 years influence \$132 billion in annual spending, a combination of their influence on parents (\$74.6 billion), their own earned income (\$37 billion), and direct shopping for family, \$21 billion.

Generally, the combined spending power and influence over other purchases exerted by the teenage market make it a powerful consumer force, one discounters have ignored or avoided because of its close link to fads.

But with the obvious spending power of this age

group some retail experts say retailers, even discounters, cannot afford to keep teens at arms distance. Sid Doolittle, partner in McMillan/Doolittle, Chicago-based retail consultant, suggests retailers gain a "healthier respect for the power of this customer: their buying power and their ability to influence others and to set trends."

Doolittle suggests retailers outfit their store's teen-oriented areas with the "sights and sounds" important to that age group, such as music, videos and posters. Sears' Kids & More specialty department and JCPenney's juniors department are examples of retailers using these techniques.

In fact, music, videos and the entire home entertainment category is a logical in-road into the teen market, but not the only one. Kmart is attracting teens into its stores via its eight-year involvement with the Miss Teenage America Contest (see story, page 76) and Jack Bush, chief operating officer for Michaels, a 146-store Dallas-based hobby and crafts chain, has found a niche in this market with crafts.

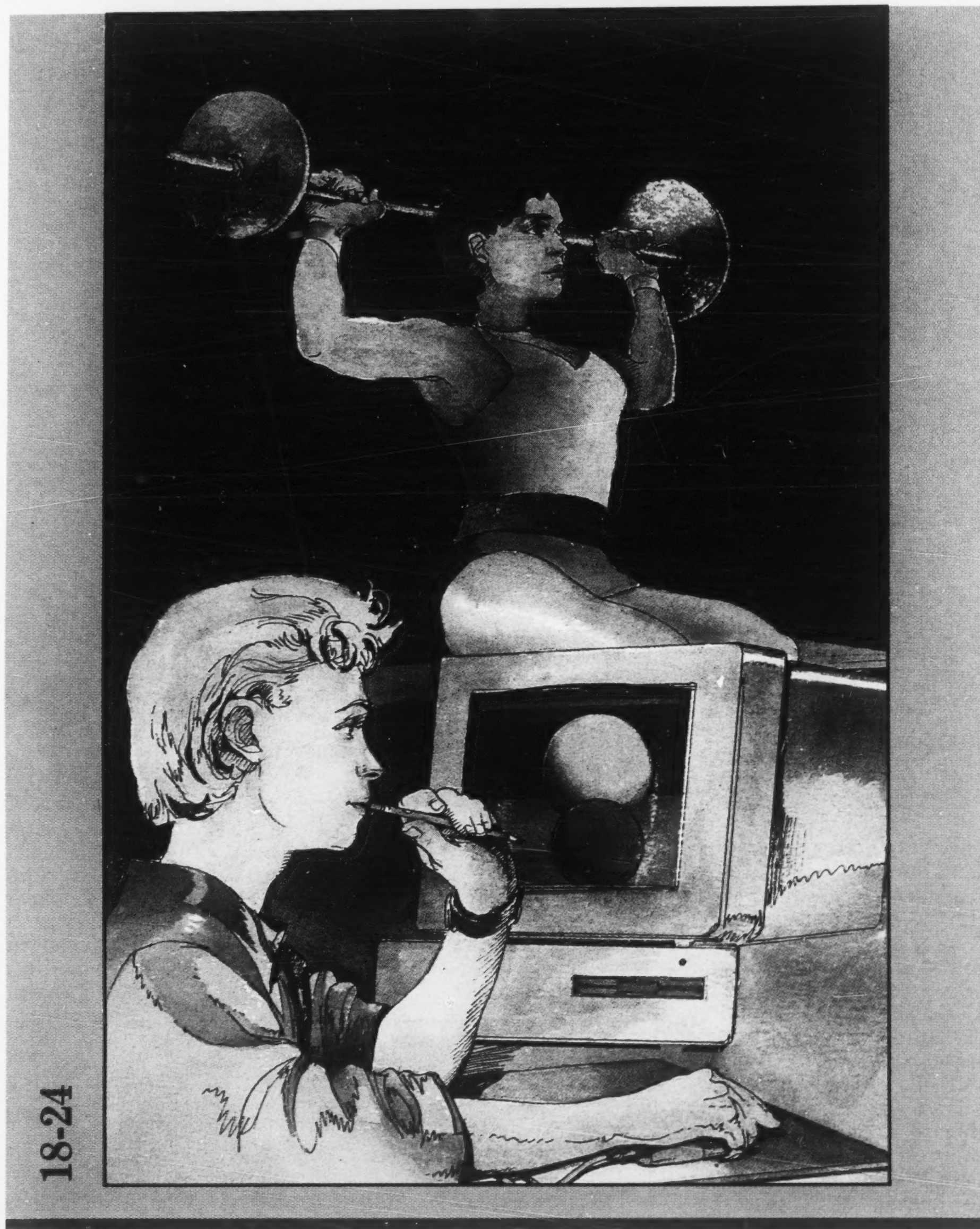
The rise in teen craft sales

at Michaels has occurred over the last year, Bush said, and has been concentrated mainly with girls. The bottom line with crafts, he said, is that "\$6 worth of goop on [a T-shirt, sweatshirt or canvas shoes] and it's a lot more expressive" and cost effective.

The traditional forms of reaching adults don't work with teens, such as the newspaper or television, said *Teen's* Cole. Teens get a lot of information from magazines: on what to buy and how to use it in the critical categories of cosmetics, health & beauty care, and fashion.

Specific retailers with programs that appeal to teens via magazines, said Cole, include Fashion Bug and Clothestime, which often includes dollars-off coupons in their respective ads. Others include Kmart, JCPenney—which holds a model search program with *Seventeen Magazine*—and Sears. All advertise often to the teen market as do a host of manufacturers including Maybelline, Cover Girl, Salon Selectives and Alberto, which hold various kinds of contests, and model searches.

MERCHANDISING THROUGH THE AGES: 18-24



Kids of '60's Kids Look For Quality, Durable Goods

By Pete Hisey

Pity today's late teens, the baby bust generation.

Their economic future is grim. And to add insult to injury, the baby boom generation that preceded them and seems to have locked up all the good jobs, second homes and fast cars has also left a near-permanent image of young adults as crass, materialistic, conservative, and motivated solely by money.

In reality, there has been a

profound change in young Americans over the past five years. For the first time in decades, it might actually be useful to think of older teens as younger versions of their parents. They are children of the children of the '60s, noted Marian Salzman of BKG Youth, a market research firm based in New York.

Young people today share many of their parents erstwhile social concerns, particularly in terms of the environment, work that is both worthwhile and not too de-

manding on their outside lives, economic fairness, and leading a happy, not necessarily wealthy, life.

"But," she added, "they're a lot more realistic than their parents were. They know nothing comes for free."

While many suffer from "boomer envy," the majority of those in the 18-24 year old group have evolved into an eco-generation that values quality, durability, long product life, health-related benefits, "natural" ingredients, and most of all, simple value for the money. They are not particularly thrifty, in the sense of denying themselves things they want, but are more apt to think about what they really want before making a purchase. If a tape of songs from a CD will do, they'll tape and bypass the CD purchase, for instance.

Consumption is no longer a status symbol, and most feel they will never have the opportunities and lifestyle of their parents, so they will have to make do with what they get.

This mindset is visible in a number of applications. For instance, vintage clothing stores are popping up right and left. Why? Because it is now something of a status symbol to find something of quality that is not mass-produced, dirt cheap. Shiny, new and disposable is out. The Gap and JCPenney are hot because of their basic, colorful, durable and value-priced apparel, and chains like Marshalls, Lechmere and Kmart get thumbs-up for their value and quality, Salzman said.

Another major influence on these kids, and one that will have major ramifications on their consumer behavior, is a new concern with the family. Often they come from single-parent or both-parents-working households, and while they don't really believe in the "Father Knows Best" family model, they'd like to find out for themselves. A majority plan to marry early (at about 26, but trending down to about 23 with younger members) and have children within three years. Most want two children.

The two above trends lead to some interesting marketing ramifications. For instance, the presumption that younger consumers are penniless is plainly not true. Most still live at home and work. At-home singles, according to J. Walter Thompson, number 23 million and have an income of \$179 billion. While that, per capita, is the lowest of various age- and life-groups (like married couples of whatever age), remember that most of these consum-

(Continued on page 87)

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MERCHANDISING THROUGH THE AGES: 18-24

Kids of '60s Kids Want Quality

(Continued from page 84)
ers pay no rent, no utilities, no telephone and no food bills. Their money is, essentially, discretionary income.

What are they spending it on? Apart from concert tickets, music software, and beer, evidence suggests they invest in the types of things that will make early parenthood, with its attendant poverty, a bit more bearable. Furniture, appliances and home textile products are good examples. At a recent Target store opening in Austin, Texas, the store manager noted a distinct uptick in sales of quality home furnishings during the first month or two of the school year; college students that used to buy the cheapest set of sheets now buy coordinated sets for use after graduation. Sales of other durable products, like housewares, was also up during those periods.

Of course, not all of these young adults are actively planning their lives years ahead, but even those that are not purchasing "hope chest" type goods are out there looking. They clearly like their parents, but plan to move out on their own as soon as economically feasible, and they want at least some of the comforts of home when they do.

It's really difficult to get an accurate fix on older teens and early 20s consumers; they form a highly fragmented and diverse group.

"They are much more diverse than in the past," noted Rita Malatesta, research manager for *Spin* magazine. "They are highly individual and less likely to run with the pack."

That really shows up, she said, in the wide variety of music types that are hitting the top of the charts. "There's no one music anymore; there's everything from rap to metal to punk to folk to World Beat," she said. "You can't lump them into any one mold."

Nevertheless, while they may be a fragmented, often contrary group, certain approaches will have near-universal appeal to them. The first and most important is family. These are the children of the first wave of yuppies, the two-income, highly cynical, have-it-all-and-damn-the-psyche-cost generation. They are the latch-key kids and the children of the pre-AIDS divorce boom. They value the sense of continuity that family provides and of which they were often deprived.

"They're turning into homebodies," said *Spin*'s Malatesta. "They're very interested in cooking and crafts and other home-oriented activi-

ties. They came from a less stable background than many of us [older Americans] and are determined not to repeat those mistakes."

As much as younger adults like and respect their parents (when asked who their heroes are, they almost universally answer "my parents," with "mom" outpolling "dad" by a wide margin; no one else really gains significant mentions), they are suspicious of the status quo. They have no respect for politicians, lawyers, and anyone in it for the money.

"They want to make money,

but not as an end in itself," Malatesta said.

The AIDS plague has really struck home with these consumers. In addition to the concern with safe sex, building long-term relationships and avoiding drugs, comes a real concern with the underdogs in society. That can be expressed in everything from the continuing popularity of Magic Johnson (he's even more popular post-HIV, for his honesty) to an almost total revulsion at products that are tested on animals. In a recent focus group conducted by

BKG Youth, participants made a point, unasked, of rejecting makeup and other such products that test on animals. Another consequence: vegetarianism is on the rise among younger consumers.

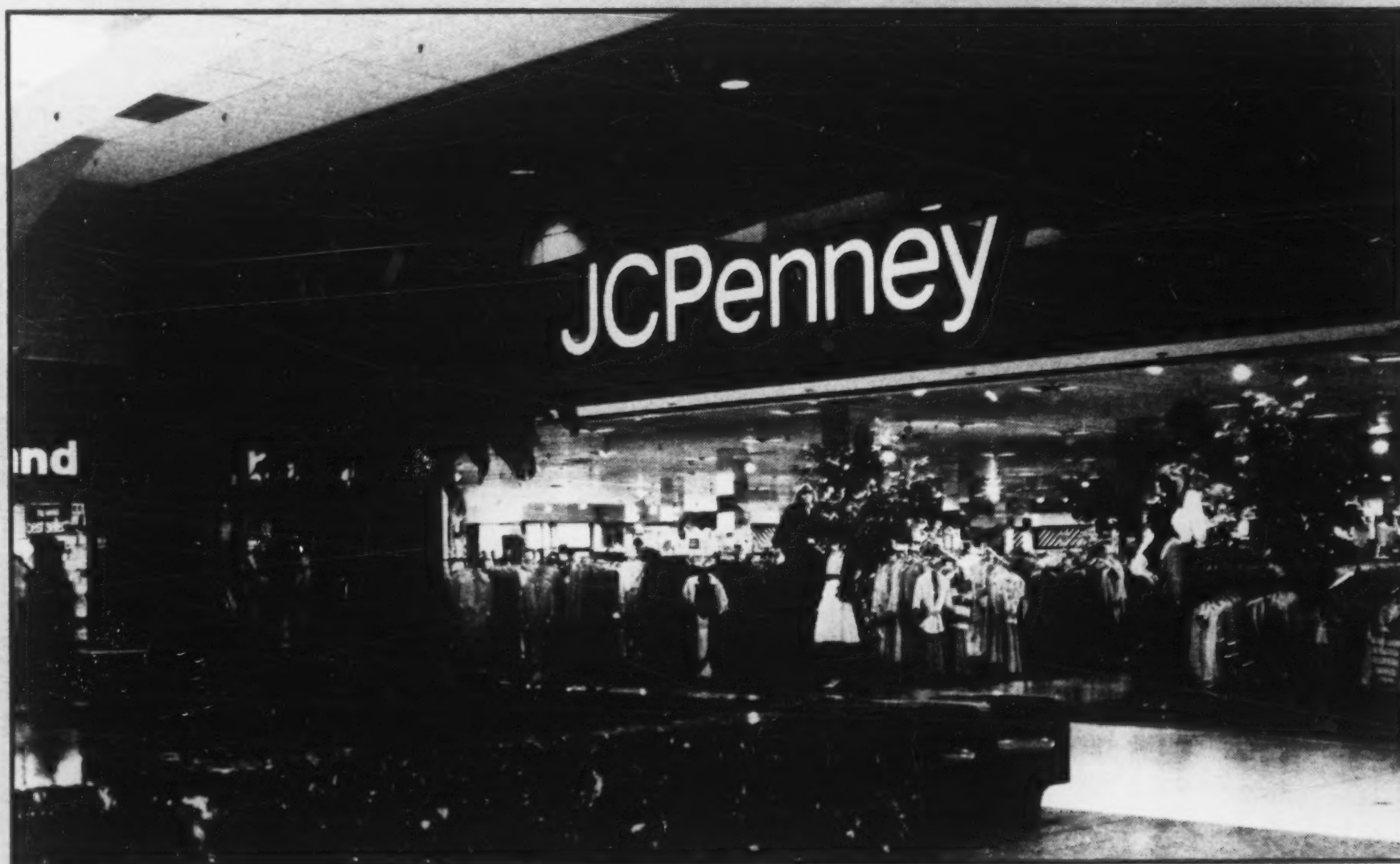
Overall, the mores of the new generation should be encouraging to discounters. While they are still a few years away from prime customer status, they are already aware of discount stores and have a positive view of them. Their home orientation, general thriftiness, and sophisticated knowledge of products and

brands also plays into discounters' hands.

And it appears their younger siblings are even more pronounced in these attitudes.

One caveat, though. During a recent focus group, there was an extremely strong bias against category killer stores. Yes, we want selection, the group said, but the big specialty stores (the reference was to Tower Records and HMV) charge too much for the selection. "\$11 for a cassette? It's like they don't think we know what the Wiz is charging," one respondent noted.

Style, Family Values Boost Penney



At retail and mail order, JCPenney has been repositioning to appeal to younger consumers.

DALLAS — The resurgence of JCPenney over the past two or three years has been no secret in the mass retail industry, but the extent to which it is favored by young adults might surprise competing retailers.

In a poll conducted by BKG Youth, a marketing agency specializing in those under 22, Penney was a major favorite, particularly in mail order, where it whopped all comers as the place 16- to 24-year-olds like to shop. Of those queried, 40% identified Penney as their favorite mail order source, followed by J. Crew at 15.5% and Victoria's Secret, with 14%.

At retail, the mass merchandiser dominated the department store category which in turn dominated the voting, with 40%. The Gap was a strong second at 28%, and discount stores finished a respectable third, with 13%.

Penney, the only source

named in both retail and mail order polls, has done a masterful job in repositioning itself with younger consumers.

"We've really been focusing ourselves, and we're seeing very favorable results," said Penney merchandise manager, juniors Stephen Carter. "People in this age group are really keyed to good value, and we've adjusted our mix accordingly." Carter said that juniors has been remerchandised, with buyers choosing key items (which account for 20% of skus and 60% of sales in the department) that are "packed with value." To stay up-to-the-minute on fashion, Carter said, labeled goods are purchased monthly by the buyers, who then present an electronic fashion show broadcast to all stores. Store level merchandisers then fill in their assortment from goods offered on the show.

Consumers this age, Carter said, "are very much like

their parents; they have turned away from the excesses of the '80s. They are not brand conscious; what's important to them is quality and price. Also, shoppers are not loyal at all. I suspect that the average shopper can be in a department store, a discount store and a specialty store in one day; they're as comfortable in Target or Wal-Mart as they are in Macy." Younger shoppers are also extremely family-oriented, he added.

So Penney has consciously aimed at both the quality/price combination and the family orientation in its advertising, which emphasizes something for the whole family and accents the word "change." "It seems to be working," Carter said. "We had a great first quarter, with double digit gains in a weak economy. We've spent a lot of money redoing our stores and remerchandising our assortments, but it's paying off."

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MERCHANDISING THROUGH THE AGES: 18-24

Savvy Young Adults a Key to Growth in Computer Market



When it comes to price, most 18- to 24-year-olds are open-minded about where they'd make their purchases.

The age 18 is a pretty major step into adulthood in the United States. While young adults may be staying at home longer, by 20 or so they have a job or are enrolled in college.

It's a time to put away the video games . . . and step up to computer games. While most retailers don't have a fix on just who is buying the bulk of personal computers, it's certain that the model of the 45-year-old entrepreneur starting his own business only tells part of the story.

Jim Nakamura, executive vice president of office superstore chain WORKplace, which recently merged with Staples, noted that 11% of computers sold in the past 12 months went to those in the 18 to 24 age range, and that female consumers now account for nearly half of all units sold. Singles accounted for nearly 40% of sales, and in an interesting aside, over half of purchasers had no college experience.

In the United States today, a college student (particularly in technical areas) needs a computer just to get by. Young adults not in college may lag in computer sales, but as prices come down, they will become major consumers. They have almost literally grown up with the technology, which first became widespread in schools in the mid-'80s, and they don't have to be

Clearly, multimedia capability, expandability, adequate power, and a perception of quality will be important in swaying this consumer.

sold on the role the pc can play in their lives.

Marshall Paisner, senior computer buyer at BrandsMart USA, noted while his company doesn't track sales by age, the trend is up for younger consumers. They tend to be brand-loyal, Paisner said, and favor Apple and IBM products, probably brands they recognize from school.

Alan Haber, staff director, communications, of the Electronic Industries Association's consumer electronics group, noted that consumers 18 to 24 are a key element in the growth of the computer in the mass market.

"A few years ago, you had to go to a specialty store to get a computer," he said. "But today, manufacturers have to go where the customers shop, and with people in this age group, that means the mass market."

That does not mean that young adults are unsophisticated, he added. "On the contrary, they're very sophisticated, a lot more so than most of us were at that age. And they've been exposed to more and better products than older Americans ever were. They love to have a choice, and make really intelligent value decisions."

For instance, he noted, while a pc's price might be the single most important consideration, the young adult will

value expandability just as much. "They're thinking ahead," Haber said. "They're thinking in terms of an investment that will accompany them as their lives change."

Clearly, multimedia capability, expandability, adequate power, and a perception of quality will be important in swaying this consumer. Of particular interest, a recent focus group of late teens said, is ease of use. "I don't have time to sit down and read a book every time I want to do something on a computer," one participant noted, to general agreement. Built-in software, a step-by-step on-screen tutorial, and easier-to-use software will appeal strongly to these users, who view computers as a commonplace, but overly complicated, technology that they would prefer to use if convenient. One respondent noted that he would just as soon give up his Sega if he could play the same games on a computer.

Retailers should remember that even when young adults aren't buying, appealing to them is very important. Students are a major resource for their parents in making a computer buying decision, and "remember that these shoppers are your future purchasers," Haber said. "A lot of them are looking at what's available" for when they set up their own households.

An important consideration in dealing with 18- to 24-year-olds is selection, according to Haber. "They're used to a lot of choice, and they make very sophisticated decisions."

Consumers this age can also make or break a product. They "made" mini-systems (which were ideal for dorm rooms), portable video games, boomboxes, personal audio and many other products, and have also played a role in the popularization of personal electronic organizers and electronic translators. They will play a significant role in the final success of advanced computer products, as both consumers and influencers of other consumers.

And, according to a recent focus group, this age group is very open-minded about where they will shop for computers. While their first response to the question "Where would you buy a computer," was a computer store, most agreed that if Kmart or electronics superstore The Wiz offered a brand name they recognized at a savings, they'd probably buy there. "Just so long as it's a good product and easy to use," one participant said.

That indicates that retailers should market directly to this age group, even if the initial sales results are marginally affected. According to WORKplace's Nakamura, the next life group, 25- to 34-year-olds, are now responsible for a third of all sales, far more than their share of the population would suggest, while sales to older consumers is slumping. A retailer which positions itself as a destination for computers now could reap a handsome dividend at these young adults age.

It's worth noting here that appeal to females is very important in this market. Women today see fewer differences between themselves and males who are their own age, but will express repulsion at certain types of stores that they consider to be too male-oriented. This could give discount stores, with their primarily female audience, an inside track on the product line when women in this age group decide to buy a computer.

MERCHANDISING THROUGH THE AGES: 18-24

Post Boomers Set Home Entertainment Trends For All Ages



18- to 24-year-olds are prime consumers of personal stereos and boomboxes, on display here at Good Guys.

While young adults have always been prime targets in the home entertainment field, their strength in recent years has ebbed, more because there have been fewer of them than that they're spending less on these products.

However, the baby bust has bottomed out, and as this group ages, it will enter the prime household-building years, and the indications are that these young adults will build households with a vengeance.

In certain areas, like personal stereo, boomboxes, and video game systems, those in the 18 to 24 age group are leading-edge consumers. In blank tape, they are dominant. And, perhaps most important, they are often the decision makers for more substantial family purchases, like televisions and audio equipment.

And, more and more, these shoppers are looking for the sort of high ticket durable goods that will allow them to move smoothly from their college dorm or bedroom back at the parents place, into a home of their own.

According to Alan Haber of the Electronic Industries Association's consumer electronics group, this is a trend-setting group who not only make significant purchases themselves, but influence the purchasing behavior of other, wealthier consumers, primar-

ily their parents and grandparents.

"The credit card companies were really quick to jump on this group," Haber said. That's because they're not just buying concert tickets and burgers anymore; they are a thrifty, relatively cash-rich group of consumers that are seriously looking at settling down in the not too distant future, and are already planning for the time when they'll have to establish their own households.

The key to appealing to these shoppers (and just as important, future shoppers) is value. Value means many things to these consumers, from price to durability, but it clearly includes product usefulness. They have seen too many ephemeral examples of planned obsolescence come and go in their lifetime (remember the first video game boom in the early '80s? Acid wash jeans?).

These shoppers might be slow to jump on new technologies like HDTV and interactive CD because of their fears that they will be made obsolete quickly, as well as raw price (HDTV) and/or the cost of both purchasing and replacing software (DCC, Mini Disc, and CDTV, perhaps).

At a recent focus group, however, Sony's Mini Disc system created interest, because of its relationship to the extremely popular CD.

Younger consumers are still buying more cassettes than CDs, but that's a function of price. The \$16 ticket is simply too high for someone with a limited income and thirst for new music. As these consumers leave school and work full-time, however, CD players seem to be on the top of their shopping list.

"CD and digital are major buzzwords with this age group," noted Memorex director of marketing David Williams. "They're not a major factor in sales, but as influencers, they're very significant. They are highly feature and price oriented, and want the latest in any category they choose. They're very in tune to trends, and can make or break a product, or even a brand name."

Because they are willing to invest time into product research, by reading magazines like *Rolling Stone* or *Stereo Review* and by talking about home entertainment products with their friends, they are "extremely sophisticated, much more than we give them credit for," Williams said.

Also, because they tend to consume more software on average than older consumers, they tend to visit stores that offer a good selection of cassettes and CDs more often than those with a purely hardware approach. Best Buy in the Midwest and The Wiz in New York have both estab-

This group not only makes significant purchases, but influences the purchasing behavior of other, wealthier consumers, primarily parents and grandparents.

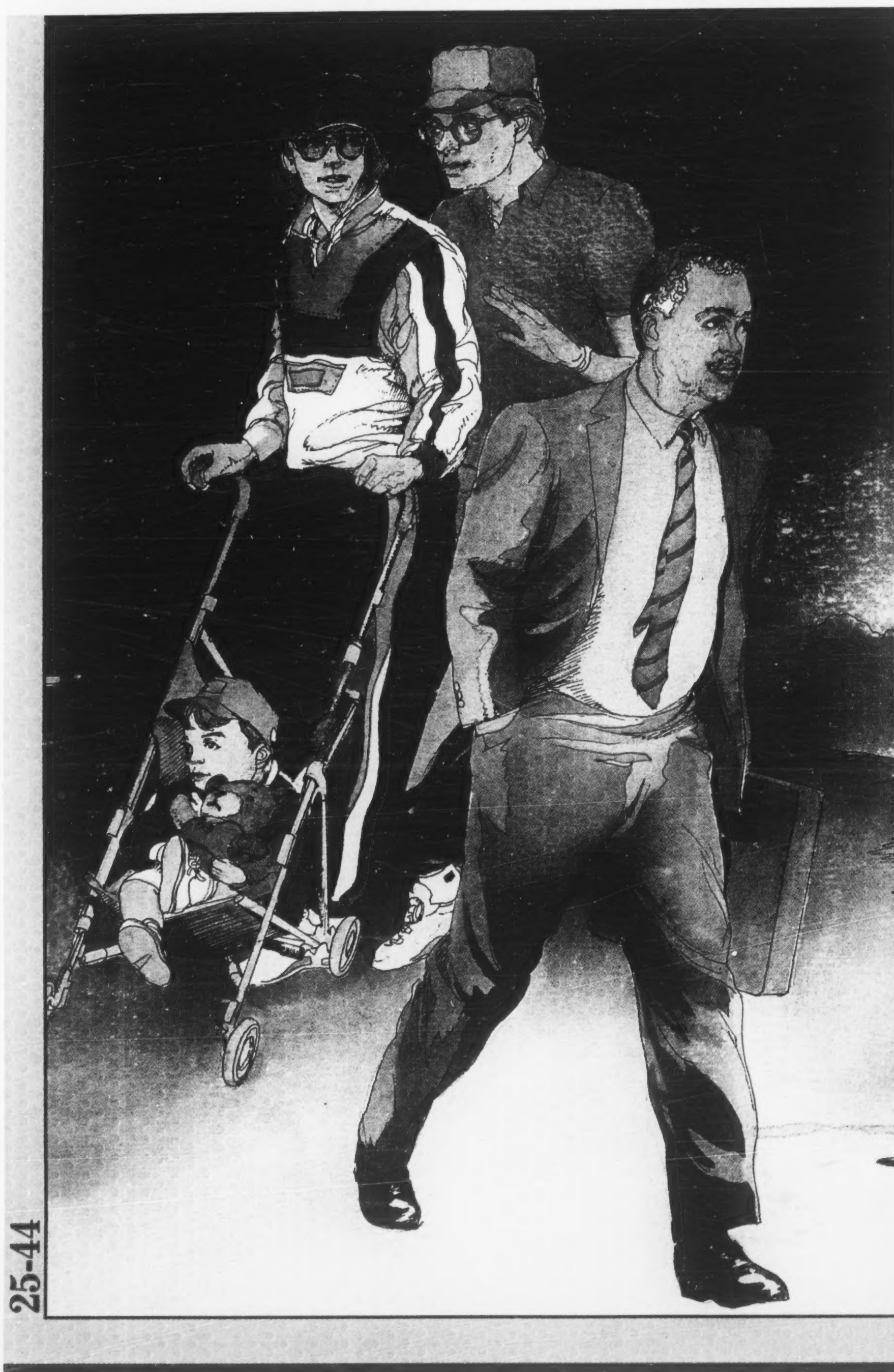
lished highly competitive, fully stocked music departments to draw younger consumers in regularly on the assumption that when they're ready to buy higher ticket items they'll return to the stores they're used to shopping.

And, it works, according to a recent breakout of Best Buy's figures. While Best Buy's audio/video software sales (which offer a common sale price for CDs of \$9.99, far below market average) grew rapidly to about 7% of total sales from 5% or roughly 40% (as estimated by Goldman Sachs analysts David Bolotsky and Scott Ehrens), total sales grew by 44.8%, an even faster rate.

The real benefits may be down the road, though, as these consumers, used to shopping Best Buy, return for large screen televisions, personal computers, microwave ovens and other durable (and big-ticket) goods necessary for building their households.

As they age, these shoppers promise to be extremely finicky consumers. They demand top selection, rock-bottom prices, recognized leading brand names, uncompromised quality, excellent service and convenience. The retailer who can figure out how to combine these attributes, and still make money, will be the winner in the home entertainment category.

MERCHANDISING THROUGH THE AGES: 25-44



After

2030, only

immigration

will permit the

U.S. population

to grow,

Fossett

predicted,

because by then

the number of

deaths per year

will exceed

the number

of births

Core Shopping Group Shrinking as Baby Busters Grow Up

By Richard Halverson

Baby boomers and their children are king of the consumer hill during the '90s.

But as the leading edge of the baby boomers slips into middle age, those born to a

"baby bust" generation that follows on their heels threaten not only to knock them off the hill but also to whittle down the size of the hill.

"The starting point for retailers is to realize what's happening to the size of the market," said Erin K. Fossett, domestic

economist for the First National Bank of Chicago.

Those ages, 25 to 44, constitute the largest chunk of the American population, the 1990 census found. Of a total population of 250.4 million, that age group totaled 81.8 million, or 32.7%. By the year 2000, that age group will slip to a projected 81 million, or 30.2% of a population of 268.2 million.

"The U.S. economy is seeing the last gasp of the baby boomers, a wave of population growth that boosted demand," Fossett said.

To demographers, the baby boom began in 1946, peaked in 1957 to 1958 and ended in 1964. So those born at the peak have reached their mid-30s and are into their peak family formation years. But those born at the beginning of

the boom have slipped past the age 44 mark into middle age and its different set of spending priorities. After the year 2000, the first born of the baby boomers will start to become elderly, she said.

Consumers who now are age 28 represent the tail end of the baby boom and those ages 25 to 27 represent a different generation, the "baby bust generation" with "differing values, shopping habits and income levels," said Carl Steidtmann, chief economist of Management Horizon, Columbus, Ohio, the retail consulting division of Price Waterhouse.

The birth rate fell considerably after the mid-'60s, "a factor that will also have an important economic impact,"

(Continued on page 94)

MERCHANDISING THROUGH THE AGES: 25-44

Baby Busters Shrink Size of Group

(Continued from page 93)

Fossett wrote in a March 1992 bank report, "Impact of the Changing United States Population."

Those born between 1965 and 1976 constitute the baby bust generation, Fossett said. Coming to the marketplace in smaller numbers, less educated and earning less than their baby boom predecessors, those of the baby bust generation are curbing consumer demand, she said.

"Population growth picked up somewhat after 1976, which reflected the larger population of Baby Boom women reaching childbearing age, rather than an increase in fertility rates," Fossett noted. "Over the next decade, population growth is expected to decelerate as a result of the downward trend in fertility rates and a smaller population of childbearing age women. The expected slowdown in population growth will have a powerful impact on long-term economic growth."

After 2030, only immigration will permit the U.S. population to grow, Fossett predicted, because by then the number of deaths per year will exceed the number of births.

The two different generations represented in the 25 to 44 age bracket each have significant differences, emphasized Steidtmann of Management Horizons.

Educational levels peaked for baby boomers born in 1946 to 1948, Steidtmann said.

Those of the baby bust generation have about one year less college education than baby boomers.

Even those with the same education earn much lower salaries than baby boomers did, the economist said.

Baby busters have remained single longer and are more likely to live with their parents, he said.

"They are much less interested in shopping, especially for home furnishings and home purchases."

Attitudinal surveys that Management Horizons has conducted shows that those age 24 to 27 are more cynical than their baby boom cohorts of 10 years ago, Steidtmann said. "They are more likely to disbelieve advertising claims and what salesmen tell them."

Baby busters are more difficult to communicate with because they are more image-oriented and less textual, he said.

Baby busters need more "visual stimulation, with eye-catching displays," he said. Advertising should appeal more to the emotions than to the intellect, he advised.

"Baby boomers are our prime target," said Jack

Baby Boomer Generation Profile

	Ages 25-44	All Adults*	Index
Average Age	34.0 years old	43.3 years old	79
Average Household Income	\$39,700	\$37,200	107
Dual Income Households	63.8%	48.7%	131
Home Ownership	48.2%	53.6%	90
Education	14.3 years	13.8	104
College Graduate	21.7%	16.7%	130
Average Number in Home	2.9 persons	2.7 persons	107
Average Number of Children Under Age 18	1.9 kids	1.8 kids	106

*Ages 18 or older

Source: Impact Resources, Deloitte & Touche

Smith, chief executive officer of Sports Authority, Kmart's sporting goods specialty chain. "We carry the things they like to play with."

"They are all into health and fitness. They grew up with a tennis racket or golf club in their hand, rather than a football or basketball," he said. "That's our customer."

To reach them, Sports Authority spends 80% of its ad budget on radio and TV.

Baby boomers "hate to shop," said Susan Hayward, senior vice president, Yankelevich Clancy Shulman, a New York consulting firm that tracks consumer thinking. "They find the process distaste-

ful," Hayward said, although a lot of retailers have yet to discover that. Wal-Mart has and makes shopping easy by piling up merchandise and making it easy to find, she said.

Anything retailers can do to make the shopping experience easier, such as assembling package deals for room settings or apparel assembles, will appeal to them.

The median age of baby boomers is 35 to 36, and babies and families are their major concern, said Cheryl Russell, former editor-in-chief of *American Demographics* magazine. Russell wrote *100 Predictions of the Baby Boom*, and now serves as vice president of New

Strategist Publishers, Ithaca, N.Y. and as an industry consultant on the baby boomers.

"A source for value" is connected to those ages 35 to 39, Russell said. "They have many competing interests for their dollars," she said, and, with kids to worry about, they have to work hard to spend them.

Retailers should take a "kid-oriented approach" to reaching baby boomer shoppers, Russell advised. One way would be to provide a place where parents could park their kids while they shop. Some chains that already are doing that include Fred Meyer, which operates daycare centers in its newest prototype stores. In addition, IKEA provides child play centers in its home furnishings megastores.

The one-stop shopping offering groceries and general merchandise under one roof also appeals to busy baby boomer parents, she said.

Stuarts, Franklin, Mass., is playing to the needs of its predominately (80%) female and busy baby boomer customers by resetting its 20 stores and putting up new signage that redefines departments for easier and faster shopping.

With so many of its women

customers working, "women will spend money to save time," said chief executive office Joe Ettore. "It used to be that women would spend time to save money," he said, but today "shoppers are in a hurry."

Baby boomers head 41 million households and 60% of them include children under the age of 18. For families headed by those ages 35 to 39, 69% include children, Russell noted.

"If you're targeting affluent baby boomers, stress quality and value rather than indulgence and luxury," Russell advised. Due to demands of hefty mortgage payments, soaring college tuition bills and savings for retirement, "many affluent baby boomers will not be interested in buying luxury products," she added. But the baby boom generation is aging, she warned. By the year 2000, one-third of the nation's grandparents with grandchildren under the age of 18 will be baby boomers, she wrote.

Crate & Barrel Equals Value

CHICAGO — The closest that Crate & Barrel comes to being a discount store is operating four closeout stores, in Berkeley, Calif., Kittery, Me., Dallas, and Chicago to move discontinued goods at a markdown from its 37 full-price stores.

But in merchandising "good value" to the baby boom generation, the home products chain stands out from its peers, said Carl Steidtmann, chief economist for the Management Horizons retail consulting division of Price Waterhouse. The hallmark of Crate & Barrel (C&B) is "great visual merchandising," Steidtmann said, "in a sunny, bright appealing kind of store."

C&B specializes in importing exclusive housewares, kitchen accessories, tableware and furniture (in four units) from around the world, said spokeswoman Bette Kahn, so price comparisons are difficult.

On common merchandise that other chains carry, though, C&B prices are lower because it imports directly, she said.



Crate & Barrel's flagship store in Chicago is the type of sunny, bright value-oriented store that appeals to baby boomers.

Each store employs a designer to blend the proper mix of color and light into displays throughout the store. The designer will spotlight glassware displays, for example, to make sure they sparkle, Kahn said.

Early on, C&B began displaying goods on colorful Marimekko fabrics from Finland, the better to contrast with the signature wood floors and white walls.

In 1990, C&B opened its

45,000-sq.-ft. flagship store on Michigan Avenue, Chicago. The five-story building features on the two street sides a dramatic exterior of white aluminum and floor to ceiling glass, a far cry from the first C&B store of 1,800-sq.-ft. opened in an old elevator factory.

Founder Gordon Segal named his store after the overturned crates and barrels he first used for display fixtures.

B

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MERCHANDISING THROUGH THE AGES: 25-44

Reflection of Times: Baby Boomers Take To Home Furnishings



Bradlees has doubled the linear footage devoted to framed art, from 20- to 40-ft., in its remodeled stores.

Conservative. Value-oriented. Traditionalist. Performance and quality minded.

When it comes to shopping for home decor and home furnishings, those terms best describe what motivates the Baby Boomer wave, the crest of which has reached age 44.

In the '60s, the baby boomer generation grew up in rebellion against the depression-era values of their parents, said George Rosenbaum, president of Leo J. Shapiro & Assoc., a Chicago-based consumer research firm.

Now they have turned their backs on the turmoil of the '60s, the sexual revolution, social experimentation, drugs, challenge of authority and conflict, Rosenbaum said, and want homes that will reflect stability for their children and reinforce the values they want to instill in their youngsters.

More than three-fourths of baby boomers are heading families and almost half are married with children, he said, and they are "highly concerned about living a protected life and being part of the establishment."

Retailers must display signals that they understand the wants and aspirations of baby boomers and that their stores carry the home decor products that will make the baby boomer vision of home work, he said.

More home furnishings are being designed for a home office for parents and a worksta-

Books and
art are other
categories of
home decor
that help
establish
the vision
baby boomers
have for
their homes

tion for their kids. Staples, for example, offers modular computer furniture, desks of all shapes and forms for kids, lighting for children's rooms, as well as home offices, and modular storage units.

Changes are taking place in the way children's rooms are being furnished, including more storage units and personal phones at an earlier age.

Books and art are other categories of home decor that help establish the vision baby boomers have for their homes.

"Part of their well being is that you shouldn't look at bare walls," Shapiro said. "Parents want to hang stuff on their walls that reflects their values. You're seeing more art and books in discount stores."

In its remodeled stores, Bradlees has doubled the linear footage devoted to framed art to 40 feet from 20 feet and increased price points to \$24.95.

In the face of phenomenal growth in videotapes, reading materials for youngsters also has grown, Rosenbaum said.

The rise of *Lady Bug*, a magazine for kids aged 2 to 6, illustrates the trend away from comic books, he said.

Baby boomers "are desperate for simplicity in their lives," said Cheryl Russell, vice president of New Strategist, Ithaca, N.Y., and consultant on demographics and baby boomers. The Gap has done so well because of its simple, almost spartan layout that doesn't overwhelm shoppers, she said.

Prime-Age Population Growth and Household Formation (Average Annual Percent Change)

	Population Growth Aged 25-54	Household Formation
1950-59	0.7%	1.9%
1960-69	0.6	1.8
1970-79	1.9	2.5
1980-89	2.2	1.6
1990-99	1.0*	1.2*
2000-09	0.0*	

* 1990 Bureau of the Census Projections

Source: First Chicago

And they can offer a little something extra for the kids, such as the play areas of IKEA home furnishings stores or the Hanna Andersen clothing store chain based in Portland, Ore., she said.

In appealing to the baby boomers, Glidden paint uses an emotional approach that appeals to all the senses, said Charles Carpenter, vice president, marketing services.

Baby boomers are trapped in the memories and styles of the '50s and '60s when they grew up, Carpenter said. Based on findings of its baby boomer market research, Glidden paint used music of the era in the advertising campaign that it ran over the past two years, he said.

Baby boomers want a custom, quality look, said Wendy Keryk, senior vice president of Home Innovations, New York.

They are spending a higher proportion of their disposable income for home decor than

did previous generations, she said. The market is more fashion-driven than price-driven, Keryk added.

Household formation generally follows population growth, concluded First Chicago bank in a 1992 demographic study. During the '90s, population growth will slow to an average of 1% a year from 2.2% in the 1980s, the bank concluded from 1990 census projections.

Household formation in the '90s has slipped to an average yearly growth rate of 1.2% from 1.6% in the '80s. Even more ominously, U.S. population will stop growing in the years 2000 to 2010, the study concluded.

Largely because of higher home prices and interest rates

in the '80s, the percentage of ownership in the population as a whole declined by one percentage point between 1983 and 1988, instead of soaring as it should have because of rapid growth in the number of middle-aged Americans.

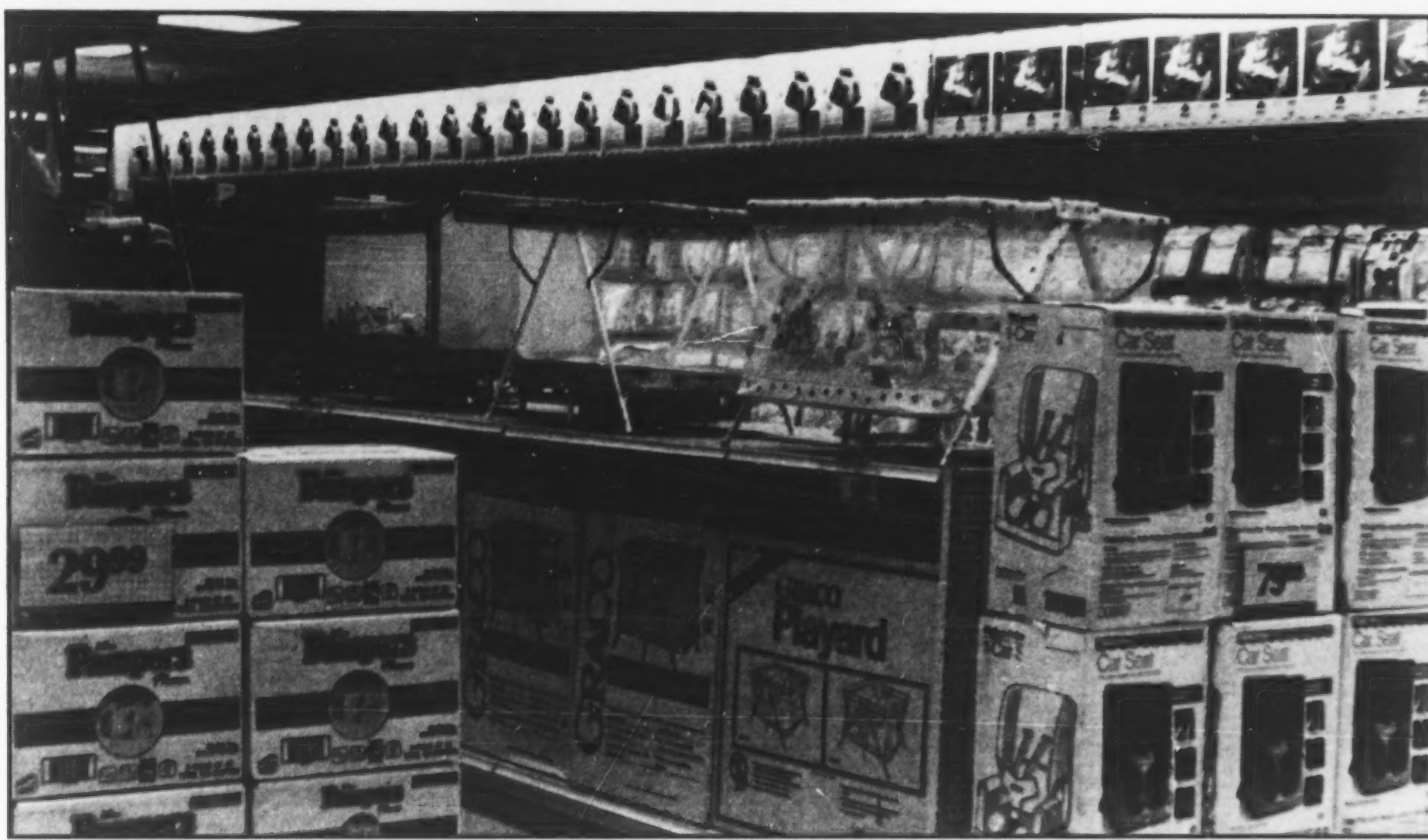
The decline was even larger among those ages 25 to 44. For married couples ages 25 to 29, the percentage who owned their own homes slipped to 50.1% from 52.2%, reported *American Demographics*.

For those ages 30 to 34, the percentage dipped to 68.2% from 69.7%. In the 35 to 39 bracket, home ownership declined to 77.0% from 78.6%. And for married couples ages 40 to 44, the percentage declined to 83.5% from 85.2%.

Looking ahead, the homeownership rate should increase, due to lower interest rates, an aging population and consummation of marriages delayed for career reasons, the demographics journal concluded.

MERCHANDISING THROUGH THE AGES: 25-44

Retailers Cautious About Sales Impact Of First-Time Parents



Diapers, playpens and car seats at Bradlees: New parents should drive demand for juvenile products.

By Michael Hartnett
Special to DSN

The 'baby boom' generation has earned a bad reputation with mass merchants and suppliers because of its ability to confound demographic projections. This 24 to 44 age group is expected to start having more children and thus, drive sales of juvenile products, infant products in domestics, and perhaps infant and pre-school toys. But retailers and suppliers are leery.

"The baby boom phenomenon has been the topic of conversation for the past 15 years; it has been the defining force that you can put your hands on. But I look at the better business we are enjoying as being a measure of the economy rather than because of the baby boom," said a division merchandising manager from a major chain based in the South.

Indeed, there is good news in the 8% sales increase reported by the Juvenile Products Manufacturers Association, and the industrywide, 20% first quarter increase in the juvenile products within domestics. There are also some bright spots in some pre-school and infant toy categories being reported by the Toy Manufacturers Association. But retailers are not convinced that first-time parents in the "boomer" generation are a significant driving force behind these changes.

At Shopko, Barry Horwitz,

Retailers
are not
convinced that
first-time
parents in the
"boomer"
generation are
a significant
driving force
behind sales

Toy Sales		
	'90	'91
Infant Toys	\$320	\$356
Musical Toys	102	94
Blocks/Accessories	25	26
Talking/Sound Toys	51	59
Learning Toys	114	121
Total Infant and Preschool toy sales for 1990 were \$992 million, and for 1991 were \$1,086 billion.		
Source: Toy Manufacturers of America		

vp of planning and research, says, "We are going through the planning process to see where we are strong, where we need to strengthen and where the demographics suggest we should be looking."

Consistent with the chain's 'Vision 2000' store concept, Shopko is directing more of its attention to young women and young mothers. One of the adjustments involves a pricing change to take advantage of higher spending levels by first-time parents. Horwitz says the chain will maintain its entry price points, but will probably move up a notch in the 'best' end of its good, better, best presentation.

Other potential opportunities involve the use of multiple packs to produce bigger ticket sales for freer-spending first-time parents, and more emphasis on classical licenses

Juvenile Products	
1991 Sales Volume By Category in Millions	
Cribs	\$300
Child Restraints	240
Infant Restraints	90
Strollers (full size)	200
Strollers (portable)	90
Swingers/Jumpers	112
Walkers	80
Overall sales reflect an 8% increase, with no declines in any category	
Source: Juvenile Products Manufacturers Association	

that appeal to new parents and gift-giving grandparents.

Pamida vice president Frank Washburn says the chain uses existing demographics within its market areas to tailor assortments, but relies less on population projections to anticipate new buying patterns by consumers, and more on the experiences of its buying staff.

"We do react to demographics, but they have to be market specific. It has to be a trend, rather than a fluctuation. Most of the demographic information we see is coming from metropolitan areas and we have to be careful because our markets in rural areas and the upper Midwest are not the same as cities on the East and West Coasts."

A spokesman for the Juvenile Products Manufacturers Association noted that birth rates have been increasing

since 1990. But even with these increases in births, there has been fluctuation. In 1990, new births reached 4.2 million, good news for makers of car seats, strollers, high chairs and baby carriers. But during 1991, the increase slowed to about 4 million.

For suppliers tightly focused on one product category, the opportunities that demographic changes in the baby boomer generation represent seem more apparent. At Wamsutta-Pacific, Scott White, director of marketing, pointed out that, "The 35- to 45-year-olds in the baby boomer generation have the buying power, and despite the recession, they will purchase juvenile products for their children."

He describes this consumer group as being less character driven, and more influenced by style and fashion. "With our new Pinocchio ensemble we really went after that senior citizen group that buys it for gifts," he said. White noted recent Bradlees circulars that promoted percale sheets for youngsters was evidence of an overall upgrading by consumers shopping for their children.

Clarence McMerty, executive vp of marketing for Dun-dee Mills' baby products division, described families with newborns as the company's key target market and reports that spending levels by parents and grandparents has stayed fairly high.

"We have been very successful in packing a comforter, bumper pad and a crib sheet into a set. We have been doing it for the last two years and it has done very well. It makes an ideal starter set for the mother and it is also an ideal gift item," he explained.

At the Bibb Company, Thomas P. McCaffrey, executive vp for sales and marketing, said, "The whole issue of demographics in juvenile products is interesting, but what drives the business is when the key licenses are available." Although he agrees that classic licenses are much less volatile and more familiar to first-time parents and grandparents, he believes the tremendous advertising programs that support new licenses help inform these newcomers as to what's hot.

MERCHANDISING THROUGH THE AGES: 25-44

Minority Customers To Become a Major Marketing Target

If retailers want any evidence about the importance of ethnic customers, they need look no further than the population projections through the year 2010.

In the first decade of the 21st Century, immigrants will account for 35% of the U.S. population growth, compared to 10% in the 1950s, as the American birth rate declines.

Further illustrating the trend, population growth is projected to slow to an average of 1.4 million a year in the next decade from 1.8 million in the '90s.

Because of changes in U.S. immigration laws, Hispanics and Asians will account for the lion's share of that immigration, rather than Northern Europeans.

But if retailers expect to tap markets for ethnic groups, primarily Hispanic, Asians and blacks, they will have to hone their micro-marketing skills.

For it's a myth that ethnic markets are homogeneous, concluded professor Thelma Snuggs, a Purdue University expert in minority marketing. The black ethnic market includes not only American blacks but also West Indians and Jamaicans, Snuggs said, while the Hispanic market includes Cubans, Mexicans, Puerto Ricans and Central and South Americans.

The Asian market includes Chinese, Japanese, Korean and southeast Asian subgroups such as Vietnamese and Cambodian.

"Micromarketing must be done just as it is done within white populations," Snuggs said.

Retailers need to recognize the cultural differences between ethnic subgroups and the majority population and attempt to reach them through specialized media that appeals to their needs, Snuggs advised.

Hispanics represent the fastest growing ethnic market, with 21 million consumers, or 8% of the U.S. total of 249.9 million, compared to 6% in 1980.

Blacks make up the largest ethnic market, with a population of 31 million, up from 26.7 million in 1980.

Asians constitute 8.6 mil-

U.S. Population Shifts						
	1990		1980		1980-1990	
	Pop.	% Distribution	Pop.	% Distribution	Pop.	% Distribution
Total Population	249.9	100%	226.5	100%	23.4	10%
White	210.3	84	194.7	86	15.6	8
Black	31.0	12	26.7	12	4.3	16
Asian or Other Races	8.6	3	5.2	2	3.4	65
Hispanic ¹	21.0	8	14.6	6	6.4	44

¹Hispanics may be of any race.

Source: American Demographics

lion potential customers, or 3% of total U.S. population, a gain from 2% in 1980.

In the same decade, the

white population declined to 84% of the total from 86%.

To help retailers understand the characteristics of

each ethnic market and advise them on marketing strategies, Impact Resources, Columbus, Ohio, in partnership with Deloitte & Touche, New York, conduct annual "Market Opportunities" surveys of the black, Hispanic and Asian markets.

Strategy Research, Miami, prepares an annual market survey entitled "U.S. Hispanic Market."

Here are the highlights of their findings:

Blacks: The black population tends to be more youthful and single, with more than half of all blacks falling in the 18-34 age bracket, compared to 37% of whites. More than

half of all black consumers are single heads of households, compared to a third of whites.

The average household income of black consumers is \$26,100, compared to \$33,100 for white, but 1% of blacks make more than \$50,000-a-year.

Only 35% of blacks own their own homes, so do-it-yourself activity is less than in the white population. Fewer blacks own cars, in part, because they tend to live in inner cities.

Hispanic: The Hispanic population also is considerably younger than the U.S. average, with a median age of 37.8 years, compared to 43.3 years for the country as a whole. Almost three quarters fall in the 18 to 44 year old age bracket, and almost half of Hispanic households contain a person under age 18, compared to 31% for the total population.

The average household size is 3.3 persons, compared to 2.7 in the total population.

Median family income averages \$28,500, compared to \$37,600 for the total population, although income is much higher for Cuban than either Mexican or Puerto Rican consumers.

Asians: Asian-Americans are better educated than the general population, earn higher household incomes and are more likely to hold a professional or managerial job. Families are larger, an average of 3.3 persons per household, compared to 2.7 for the general population.

More Asians rent apartments than own their homes, so spending on do-it-yourself activity is less. But the values of the homes Asians do own are higher than for the general population.

Asians generally are younger than the population as a whole, with an average age of 36.7, compared to 43.3 for the population as a whole. And their rate of separation and divorce is half that of the general population.

Men play a greater role in shopping because cultural traditions call for the eldest male to make major buying decisions, so retailers would do well to cater separately to the male family leader as well as to the female consumer.

Z-Mart Taps Ethnic Offerings

MIAMI, Fla. — The experiences of Z-Mart, a black-owned discount store, provides some first hand examples of how to merchandise to a customer base that is predominately black.

Last August, three former Ames/Zayre execs reopened a former Zayre store in Liberty Park, where 70% of the customer base is black and 25% Hispanic. About 65% of its customers are on welfare, said John Kilby, exec vp and coo, so the store attempts keep prices at the lower end.

But blacks also are fashion forward, as well as price conscious, Kilby said. While Z-Mart's checkout merchandise runs to \$1 impulse items, the apparel department also carried Easter hats at \$30 and \$40, along with basic straw hats at \$5, Kilby said.

Particularly for church going, black women favor dressy dresses and accessorize them more than do white customers with, say, fine jewelry, such as 14K gold and pearls, and dress shoes at a \$30 price point. Fine jewelry presents a merchandising niche that Z-Mart plans to seize, he said.

At Eastertime, Z-Mart escalated its offerings of boys' suits, girl's and women's dresses and hats, Kilby said. But it was able to bring in mer-



Z-Mart tends to merchandise brighter colored apparel that appeals to its mostly minority customer base.

chandise about a week later than normal, because its black customer base tends to buy closer to the actual holiday.

Because of money concerns, Z-Mart's low income customers tend to buy their Christmas toys, such as black dolls, closer to Dec. 25. "Holiday selling seasons are about a week shorter," Kilby said.

Z-Mart has to order, and reorder larger sizes, such as size 13 in men's shoes and plus sizes 22 and 24 in dresses, he said.

In poster art, Z-Mart makes sure it has an ethnic theme, such as Martin Luther King Jr. at Christmas. In music, Z-Mart puts more emphasis on gospel music and

spirituals, Kilby said.

Blacks spend about 30% more on hair care products such as the Posner brand of ethnic hair products, than whites, Kilby said. The store also stocks cosmetics in the darker shades that better suit black and Hispanic women.

To reach its customer base, Z-Mart relies on radio, as well as ads in the *Miami Times*, a black-owned newspaper.

And Z-Mart participates in community festivals and holiday celebrations by operating booths that sell merchandise for added revenue.

To provide more service, Z-Mart opened a leased pharmacy, and also plans leased optical and beauty shops.

MERCHANDISING THROUGH THE AGES: 25-44

Discounters Shouldn't Pass Up Opportunities In the Singles Market

By Harvey D. Braun
Special to DSN

Large numbers of American consumers are "buying for one" when they go shopping.

In a recent Impact Resources survey conducted for Deloitte & Touche of 86,000 shoppers across the United States, more than 43% indicated they are single. Of these, 25% fall into the category we typically think of when we hear the term "single,"—the younger, never-married person. But added to this group are the divorced and separated, 10.7% of the population, and the widowed, 7.6%.

In total, more than 49 million people over 25 years of age living in the United States fall into one of these three categories of "singles." According to *American Demographics* (April, 1992), the single population grew 85% between 1970 and 1990, while the married population grew only 19% during the same period. The number of divorced singles aged 25 to 44 rose from 1.8 million in 1970 to 8.1 million in 1990.

Single parents, who numbered 3.8 million in 1970, 13% of the total population, numbered 10.1 million in 1991, or 29% of the total, according to the U.S. Bureau of the Census.

Because no single definition fits all singles, retailers cannot use one marketing plan or merchandising strategy to target them.

As you might expect, the majority of the never-married group is young. Almost 80% of them are between 18 and 34 years old. One in five is a full-time student. Those who work are likely clustered at the low-



Singles are more interested in labels than married people, but discounted designer names, like these at T.J. Maxx, are a real draw.

er ends of the income scale. Close to 60% earn between \$10,000 and \$39,999, with their average annual household income just topping \$28,000.

Despite their relatively low income, however, singles are not afraid to spend. Perhaps because their overall living expenses are also lower, singles are less interested in price when shopping for shoes and clothes—both dress and casual—than the average consumer. Singles also show less interest in quality and service. Selection is their prime concern, whereas in the survey's total consumer group, price is the prime motivator. Singles also have a stronger preference for familiar labels and are far more interested in the newest trends and styles.

Single consumers are much more likely than the average consumer to shop specialty apparel stores for dress and casual clothes, for both men and women. Their No. 1 source for such clothing, however, is the traditional department store. The discount store runs a slow

third among singles purchasing both shoes and clothing.

Considering their economic status, one would think the discount store would be more popular with singles than it is. It's not that singles don't shop discounters at all. The survey shows that they are more likely to shop discounters than traditional department stores for TVs, VCRs, and stereo equipment. Perhaps the discount store has to find ways of getting the single shopper to other areas of the store.

It would be worth it to discounters to try. When asked what purchase intentions they had for the next year, singles outpaced the average consumer in every merchandise category. They have much stronger intentions than the general buying population to purchase a home computer, jewelry, watches, stereo equipment, TV and VCR.

How does the discount retailer market to a group that largely shops elsewhere? The first step is to learn more about them.

In terms of media habits,

When asked what purchase intentions they had for the next year, singles outpaced the average consumer in every merchandise category

singles are more likely than the average consumer to watch cable television, particularly Cinemax, ESPN, HBO, and MTV. They are less likely to watch CNN. As for radio, singles listen an average of 30 minutes a day more than the average consumer. Few seem to even know they can dial in AM, as most listen to FM stations almost exclusively.

Singles spend less time than other consumers reading the newspaper, and when they do they turn to the local news, entertainment, and comics sections. About one in five singles reads most or all of the ad circulars, compared to about one in four average consumers.

Singles are far more likely than the average consumer to play sports and to exercise, ski, and attend concerts. They are into photography at a greater rate, and go to night clubs and amusement parks more frequently. And singles are more likely to have CD players, home computers, telephone answering machines, and cellular phones.

Just because they're not buying housewares, that doesn't mean there's little in the discount store for single consumers. Discounters sell much of what they buy and have a great opportunity to sell it to them.

Harvey D. Braun is a national partner and co-chairman of the TRADE/Retail & Distribution Services Group of Deloitte & Touche, the Big Six accounting and auditing, tax, and management consulting firm.

How Singles Differ From Total Population

	Singles	Total Population
Between Ages 25-34	34.6%	24.2%
White	66.2%	74.4%
Black	17.6%	12.3%
Shop Specialty Apparel Store for Men's Wear	12.3%	7.8%
Shop Traditional Dept. Store For Men's Wear	15.5%	18.0%
Shop Discount Store for Men's	6.1%	10.8%
Shop Specialty Store For Women's Casual Wear	10.9%	6.8%
Shop Traditional Dept. Store For Women's Casual Wear	11.3%	16.2%
Shop Discount Store for Women's	3.3%	7.8%

Source: Impact Resources/Deloitte & Touche

MERCHANDISING THROUGH THE AGES: 45-64



'Women

over 45 have

more

expendable

income than

when they are

in their

20s and 30s,

but aside from

that, their

purchasing

habits have

hardly

changed.'

—David Weiss,
Packaged Facts

Affluent Middle-Agers Challenge Retailers' Merchandising Skills

By Arthur Markowitz

The lack of a defining name for Americans aged 45 to 64 years old points to both the amorphous nature of this demographic category, which comprises the nation's most

affluent group of shoppers, and the challenge retailers face merchandising to them.

This group's clout in population numbers and economic power is clear: the 1990 census counted 46.851 million Americans aged 45 to 64 years old, or 18.7% of the total population,

while the average household income was \$44,700.

The marketing challenge facing retailers is evident in the sharp diversity of the group's makeup. Compounding this is that these middle-aged Americans have already bought most, if not all necessities, and much of the impulse merchandise that is a first-time purchase for teen-agers, young marrieds and baby boomers.

Getting a marketing fix on middle-aged Americans is vital to retailers because this group will show the strongest growth in population through the 1990s due to the improved health and aging of baby boomers, boosting the number of 45- to 54-year-olds (young middle-agers) and the greater longevity of 55- to 64-years-olds (mature middle-agers).

The number of young middle-agers, about 25.5 million Americans, is expected to increase by about a third through the '90s. Consumers in this category are in the prime of their life, at the peak of their earning abilities and health, ready to purchase innovative products for themselves, their children and their homes.

The number of mature middle-agers, about 21.3 million Americans, is also seen as growing by about a third through the decade as the life-span of young middle-agers increases. Economically, this group will include many consumers who have paid off mortgages and therefore have the financial resources and (in the case of retirees) time to shop—
(Continued on page 107)

MERCHANDISING THROUGH THE AGES: 45-64

Mid-Lifers a Sales Challenge

Population Analysis of Mature Adults

Percent of Group's Total Population

Age Category	Asian-American	Blacks	Hispanic	White	Total U.S.
45-54	11.7	11.2	11.8	13.7	13.5
55-64	6.3	7.3	8.3	13.1	11.9

Source: 1990 Deloitte & Touche/Impact Resources

Middle-aged Americans fall into two distinct groups, with important implications for retailers. White consumers in the 45 to 64 demographic range account for a greater proportion of the overall white population than do members of this age category for the nation's three largest minority groups, Asian-Americans, Blacks and Hispanics. Marketing to the graying population, therefore, to be most effective, should be directed to white consumers, who overall tend to be more affluent than minority shoppers. In marketing to minority consumers, the primary target shouldn't be middle-aged Americans, but rather younger shoppers, especially in the 25 to 34 age category which accounts for the greatest number of people in each of the three minority groups.

(Continued from page 104)
if not for themselves then for children and grandchildren.

Manufacturers quickly recognized the opportunities created by the lifestyle of middle-agers. In apparel this meant a slacks-look, rather than jeans for leisurewear pants for men, with the garments loose and more flexible for mature male figures. Classic, conservative cuts and mix and match garments, rather than short skirts and tight tops and bottoms became the fashion norm for women.

Retailers, however, are hard

pressed to develop specific merchandising programs geared to middle-agers that are different from the basic approach they use to sell goods. Rather, a chain's marketing should focus on two factors:

- The continuity of the merchandising attitudes of younger consumers as they enter and then become the middle-age market.
- The need to identify the different demographic components of the middle-agers' category and sell goods that are directed to the specific income and ethnic segments that com-

prise a store's market.

Women entering the young middle-agers category aren't changing their lifestyles, but "instead, they are maintaining the interests that have sustained them over the past two decades," said David A. Weiss, president of Packaged Facts. "Attitudinally, this is the youngest group of middle-aged women in American history."

He noted that they are buying what they bought a generation ago, not what the previous young middle-agers bought 10 years ago. "Women over 45 have more expendable income than when they are in their 20s and 30s, but aside from that, their purchasing habits have hardly changed."

However, "older customers [45- to 54-year-olds] spend less for typical key lines of merchandise than do younger customers. They have less need for apparel and accessories than younger customers," according to Marvin J. Rothenberg, head of Marvin J. Rothenberg Inc., a retail consulting firm, as quoted in an *American Demographics* magazine article on baby boomers and their relationship to conventional department stores.

The key traits of mature middle-agers are "acquires," "pro-business," "technically aware" and "believers in the American dream," said Ken Dychtwald, head of Age Wave Inc. They want service, convenience and comfort, and merchandise that improves their quality of life, he added.

Deloitte & Touche/Impact Resources, in two related studies of the 45- to 64-year-old market, identified the different demographic components of the middle-agers' category and the appeal of various types of retailers.

The MA*RT/USA study noted that discount stores were tapped as a major retailer only for men's casual clothing and children's clothing, while traditional department stores were cited for men's dress and women's dress and casual apparel and children's clothing.

While discounters scored high in all hard goods classifications, the leading retailer usually was a merchant that specialized in that category.

The consultant's *Market Opportunities: Insights Into 45- to 64-Year-Old Consumers' Buying Habits* study observed that "during the next 10 years the ethnic diversity of 45- to 64-year-old consumers will increase, challenging marketers to determine how these consumers will differ from the [mostly white] 45- to 64-year-old consumers of today."

Middle-Aged Clout Fuels Clubs' Rise



Sam's Club, Franklin Mills, Pa.: Many warehouse clubs are adding fresh bakery and produce departments in an effort to woo more of the affluent professionals who are their core customers.

The economic power and purchasing interest of consumers in the 45- to 64-year-old category is directly responsible for the success of the membership warehouse industry.

This age group has the highest concentration of affluent consumers who are the natural merchandising targets of wholesale clubs: professionals/managers and dual income households.

The professional/manager group comprises 44% of consumers in the 45- to 54-year-old category and 26% of those in the 55- to 64-year-old category. They are the owners of professional services, restaurants and food service companies and manufacturing plants, and employees of service industries that are the core membership warehouse customers.

Almost half of the households in the 45- to 54-year-old category are dual income

households. This segment includes both professionals/managers and blue collar workers who have the shopping knowhow, income and inclination to shop wholesale clubs to save money and time.

A preliminary Food Marketing Institute study showed that about 21% of consumers in the 40- to 49-year-old group shop non-supermarket formats like membership warehouses, with the figure up to 30% for those in the 50-year-old and over category. This mirrors other studies that showed households headed by professionals were more likely to shop at a wholesale club for food merchandise than at any other retailer that sold groceries.

A Deloitte & Touche/Impact Resources MA*RT/USA study noted that among middle age consumers, membership warehouses followed discount stores and specialty retailers as the store shopped

for consumer electronics.

The wholesale clubs' success has had two results:

- It spawned the development of office supply superstores, directed to selling office equipment and supplies in a wholesale club format to the same business professionals and managers that shop membership warehouses.

- It resulted in traditional supermarkets, discount stores and other retailers fighting back by selectively selling large institutional sizes and multi-packs, the merchandise featured by wholesale clubs.

Consumers in the 45- to 64-year-old category have seen an expansion of their shopping alternative for both personal and professional goods as a result of the advent of membership warehouses, a marketing format developed for their specific business needs.

MERCHANDISING THROUGH THE AGES: 45-64

Wise Retailers Take Aim At Maturing H&BC Consumers

By Faye Brookman

As baby boomers—the largest and most powerful market segment—continue to age, retailers are scrambling to find services and products that meet their needs.

"Those retailers who target and accommodate the needs of today's older shopper will find themselves at a competitive advantage in the years to come," said Ken Dychtewald, president and ceo of Age Wave, a consulting firm specializing in helping to target the mature market.

This is especially the case in health and beauty aids and related health services. Boomers pressed by a lack of time and money seek convenience and low price.

Discounters lead the way in marketing to 45- to 64-year-olds, a group projected to increase 31% from 1990 to 2000.

As they age, many boomers notice their eyesight isn't what it used to be. Discounters aren't oblivious to this trend. Kmart, Fedco, Venture, ShopKo, Phar-Mor and warehouse clubs like Sam's and Pace have some degree of commitment to optical, according to Marge Axelrad, editorial director for the 20/20 Optical Group.

Recently, Kmart and LensCrafters announced plans for three leased Sight & Save optical departments within Kmart units. The stores offer complete pairs of glasses starting at \$39, and feature on-site eye exams with 4-day delivery on glasses.

"There's a great deal of overlap in the customer of Sight & Save and the Kmart customer—mid-America, middle-income, appreciative of value," said LensCrafters president and ceo Dave Browne.

Venture is testing leased optical departments, and Wal-Mart has 70 leased and 60 company-owned optical departments.



ShopKo, Green Bay, Wis.: Sales in the chain's pharmacy and optical departments have been growing, and now ShopKo's new prototype units also feature a hearing aid center.

Retailers who target . . . the needs of today's older shopper will find themselves at a competitive advantage in the years to come.'

—Ken Dychtewald, President & ceo, Age Wave

Deep discounter Phar-Mor will open two Vision for Less stores, a venture in conjunction with Eye Care Centers of America. "We see this new relationship as an opportunity to grow our customer base and further respond to customers' demands for value-oriented glasses," stated Robert Lane, president of ECCA.

Mike Snyder, assistant vice president for Fedco, the southern California discount chain, says he's seeing sales gains of 30% in the 400-sq.-ft. units located in select Fedco stores.

Optical sales at ShopKo hit about \$40 million, according to 20/20's Annual Report, accrued in the 102 units with eye care. ShopKo also has added a hearing aid center in its newest prototype.

The pharmacy area is also benefitting from changing demographics. Wal-Mart and Kmart both have in excess of 1,400 Rx counters. Almost every ShopKo has a pharmacy, and the company is committed to growing that business.

New merchandise classifications are also emerging.

"We all know the statistics, but it is time to really start looking at what they mean to the business . . . what has to happen to the merchandise mix? What are you doing to

market to this customer?" asked Paul Amatangelo, vice president of marketing, the Kendall-Futuro Company.

With products ranging from durable medical equipment to diabetes maintenance items, Kendall works in tandem with retailers to increase the health care mix.

While discounters have shied away from high ticketed at-home test kits such as blood glucose monitors, the future will probably find operators taking a different tack. Mass merchandisers, according to Nielsen Marketing Research, only have a 12% share of the home testing market, meaning there is tremendous potential. Along with self-care goods, discounters are expected to create mini health care areas just off of the pharmacy.

With discounters proving they can sell traditional drug store fare, product classifications once available only in pharmacies are being added into the mix. Reading glasses, for example, are now sold on an endcap at Caldor within the H&BC set. A spokesman for Caldor said they added the glasses after several customers requested them.

Many health and beauty aids also appeal to an aging population. Vitamins, for in-

stance, are growing in popularity in discount stores.

Wal-Mart has a large selection of hair color, confirmed a source with a leading hair color company. In general, discount hair color selection is expanding, observed industry consultant Allan Mottus.

"It used to be drug stores had the greatest selection. Now you see an equal breadth at discounters," he said. Hair color marketers continue to get mileage out of "not getting older, getting better" tactics.

Indeed the female shopper over 45 is a prime target for discounters. According to research from New York-based Packaged Facts, women in the 45 to 64 range are affluent, their number is growing, and they have a high disposable income. The report adds that marketing to this woman presents new rules, since she often is a mother and working wife. Sometimes she is part of the "sandwich generation"—she also takes care of her parents. She wants convenience. Packaged Facts found these customers loyal to brands they trust, but also enticed by brands marketed to their needs.

Skin care has become more important in the mix. Kmart, for example, has kicked off a special body and bath care department anchored by items such as Naturistics, that appeal to a slightly older female customer. Wal-Mart is testing a new Nivea Visage skin care line in its Turnersville, N.J., store and the brand's marketer, Beiersdorf, expects the retailer to be a big account.

Brands like Neutrogena, L'Oreal's Plenitude and Almay are winning greater space in discount units today.

As America continues to mature, the H&BC mix at the discount store will continue to shift. Concluded a cosmetics company president, "I think the discount stores are doing the best at marketing to particular age groups. It will be their strength in the '90s."

MERCHANDISING THROUGH THE AGES: 45-64

Service Makes Office Superstores a Hit With the Mid-Lifers

By Laurie Freeman
Special to DSN

The home office of accountant Kathy Wieland sports a heavy-duty office copier, fax machine, multi-line telephone, answering machine, calculator, and soon, a personal computer. Where does Wieland, age 45-plus, go to replenish her supplies?

"It used to be a small local office supply store," she said. "But now, I stock up at Office Max."

Like many former office workers, Wieland now prefers to set her own hours as an independent consultant, and she has found that office supply superstores meet her particular needs: brands she's familiar with, service, price and one-stop shopping.

And the group of consumers like Wieland is growing. A national outplacement firm in Chicago recently estimated that 20% of its clients are opening up their own businesses instead of looking for work in corporations. Many of these executives are in the 45-to 64-year-old age group, a segment demographers say spends the most on household furnishings and equipment.

It's estimated that more than 30 million Americans operate a full- or part-time business from their homes, and, according to Link Resources, this group is increasing at a rate of 16% annually. By the year 1995, Link Resources estimates that the number of home office workers could exceed 50 million.

Approximately 20% of consumers shopping office product superstores consists of home and home office users, according to Marsha Kaplan, director of research, Merrin Information Services. Small businesses with fewer than 40 employees make up the rest.

Small business owners and one-person consultancies primarily shop the office products superstores segment, as opposed to warehouse clubs,



It's estimated that 30 million Americans currently operate a business from their home, creating a market for copiers, answering machines, pcs, and fax machines, here for sale at Kmart.

which cater more to larger businesses. Older consumers also tend to shy away from consumer electronics stores, perhaps because of the lack of support products like fax paper. "The whole premise is you're going to be in the office products superstore anyway to buy office supplies or furniture, so it's natural to buy the computer there, too," said Kaplan.

One big difference Kaplan finds between age groups is that older workers tend to be familiar with one specific word processing or spreadsheet program, while younger workers are familiar with a broad range of software packages.

While older consumers prefer office superstores, it seems that they'll shop anywhere that offers good service, including computer superstores like CompUSA and consumer electronics stores who have made a large commitment to the category, like Best Buy, Circuit City and BrandsMart USA.

Having the right customer service representative on the selling floor goes a long way toward making a business consumer feel right at home, retailers say. "A person in the 45-plus age group likes to buy from someone in the 45-plus age group," said Michael Perlman, executive vice president, BrandsMart USA. "We try to have salespeople to fit everybody, in every age

group. Our sales force looks like the United Nations."

"Coaching" customers is a priority at WORKplace, said Jim Nakamura, executive vice president. "They know what they need, but they have to be coached, encouraged, helped into making the right choice." The home office segment is nothing new; that part of the office supply business started more than a decade ago. But today there are so many more equipment options, virtually all involving some form of high-technology, that customer service is a must for retailers.

"On any day, any retailer can beat you on price," Nakamura said. "It's the customer service that sells a machine with the appropriate features and the benefits of that particular machine to help the customer. If customers are truly interested in a machine, they'll welcome talking to someone who knows what he's talking about."

For Perlman of BrandsMart USA, the world of home office retailing can be divided into two types: those who offer service and those who do not.

"The difference can be seen in the numbers of returns made to manufacturers," he said. "Both distribution channels are making sales, but one computer manufacturer told me he was getting 35% returns from warehouse clubs. It makes sense when you think

about it—because there's no one knowledgeable to talk about minor problems with customers and explain the high-tech equipment. You get it home and many times, you don't have a clue what to do with it."

Many warehouse club stores have trouble conveying the right information about equipment like personal copiers. "If you have a home office copier meant to be used 30 to 50 times a month, and a small office is using it about 20 times a day, in about a week they'll be returning it when the thing goes south," he said. "But a customer walks in, sees a machine for \$600 and one for \$1,000, and they'll take the \$600 one, unless someone intervenes to explain why the \$1,000 copier is a better buy."

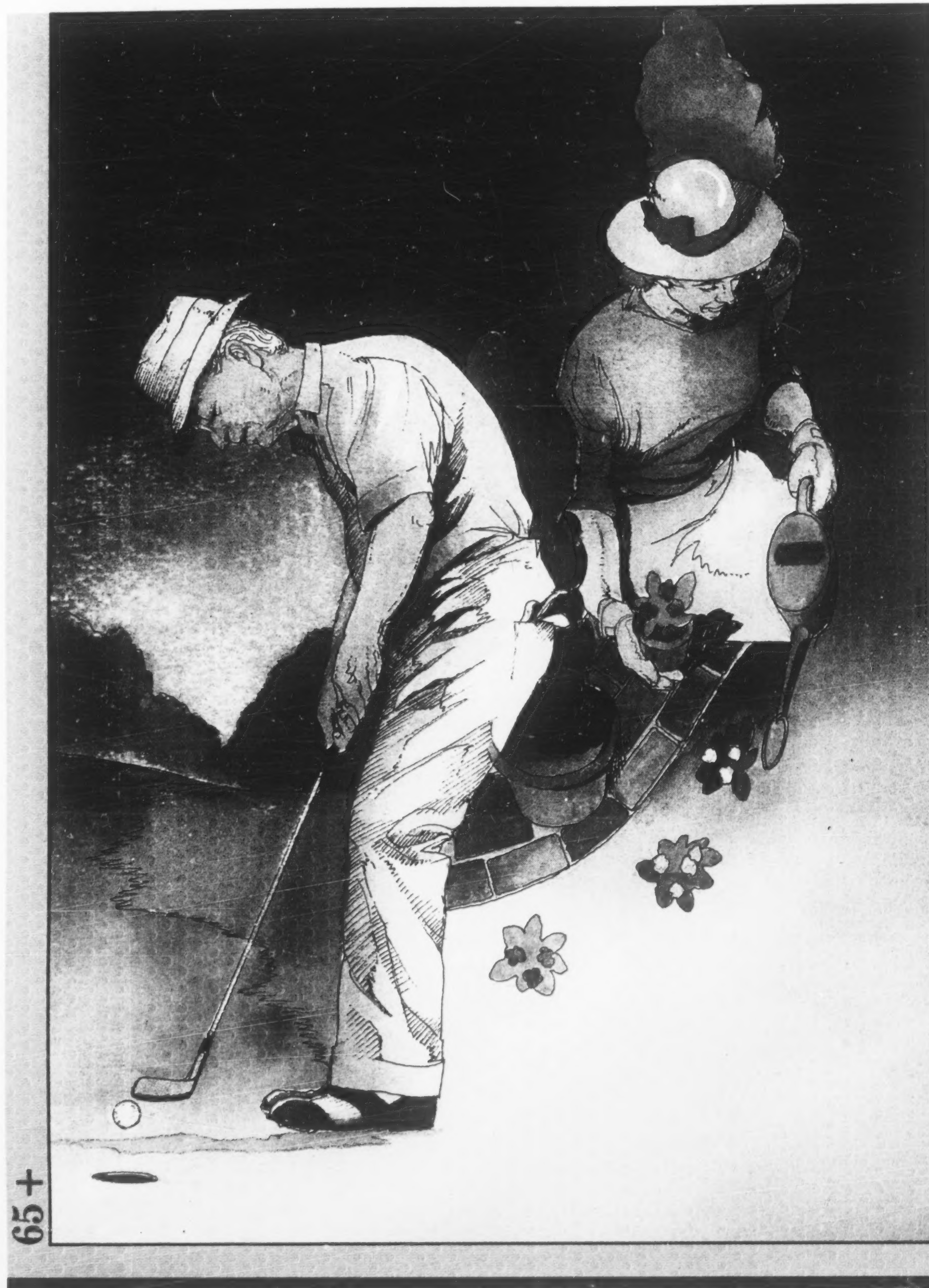
"This business is two things, both short-term and long-term," he continued. "Short-term is making the sale right now, and that's terrific. But then you have a long-term problem. Long-term, I don't think the manufacturers are doing themselves any good by selling through (distribution channels) that don't have salespeople."

BrandsMart, which prides itself on having specialists in specific equipment throughout the store, will do in excess of \$24 million in computer sales alone this year, Perlman estimated.

There is one area where office supply superstores are not doing the job: software. "Most of these stores already have a good selection in terms of hardware and accessories," said Merrin's Kaplan. "And they're the ones with the knowledgeable personnel. The only thing these retailers have to work on is their selections of software. I have not seen the range of business software that would make a good selection. What I see more of is entertainment, game-oriented software, but what they need to do is improve their selection and merchandising of the software."

Today there
are so many
high-
technology
equipment
options,
that customer
service is a
must for
retailers.

MERCHANDISING THROUGH THE AGES: 65 +



Older adults
make up a \$500
billion market
with more
discretionary
income per
capita than any
other portion of
the population

Discounters Grow Wiser to Seniors' Spending Potential

By Mary Ellen Kelly

While it might take a good deal of effort to attract the 65 and older age group, once a retailer has won over senior citizens, their loyalty—and growth potential—is unmatched.

At a glance, older consumers appear to be hardly worth the effort: The American Association of Retired Persons (AARP) reported that when

they feel they are wronged, these consumers are more likely to complain; they need special attention; they take more time to browse before they make a purchase and they take umbrage when you change the store layout or if you stop offering discounts to them that were once available.

And, superficially, they do not appear to have much to spend at a store anyway. At the end of 1990, the AARP re-

ported 49% of consumers 65 and older have annual household incomes of less than \$20,000, compared to 22% of those under 65.

The median income for consumers under age 65 is \$31,500, while the median income for those 65 and older is \$16,900. So where is the incentive to actively pursue this seemingly very low-income group?

The 65-plus group is not only the fastest growing market segment. Unlike any other age group, seniors have time to shop *and* money to spend. Older adults have gone from being a negligible consumer group to a \$500 billion market with more discretionary income per capita than any other portion of the population, according to the Conference Board.

The household income figures for seniors appear low, at a glance but, unlike most of the population, this income

(Continued on page 114)

MERCHANDISING THROUGH THE AGES: 65 +

Senior Citizens' Market Potential Grows

(Continued from page 113)

level is more often generated by a single individual. But, more importantly, twice as many of their household dollars are open for discretionary spending as for persons aged 25 to 35, according to Dr. George Moschis, director of the Center for Mature Consumer Studies in Atlanta.

Moschis is quick to add that poverty is still a problem for the elderly, but is at about the same level as for all other age groups as a whole.

In the years ahead, the older consumer is projected to grow not only in number, but in affluence.

Consumers aged 65 or older are estimated to be 12.6% of the total population, according to the 1990 Bureau of the Census Projections, but will climb to 22.9% by the year 2030.

Beginning to build a reputation of your store as the place to buy products for the elderly will not only lay the foundation for purchases by those 65 and older, but will also educate the caregivers of the elderly on where they buy supplies.

The number of working age people with an elderly dependents will also climb in the years ahead—to nearly four out of ten households—making caregivers to this age group a potential secondary consumer of merchandise geared toward the aged.

The wallets of those aged 65 and older will be thicker in the years ahead. *American Demographics* reports in its April issue "...as women with more work experience reach retirement age, many older households will become two-pension families. Even households headed by single women should be better prepared financially than they are today."

For the retailer that has decided to pursue the 65-plus age group, Dr. Moschis at the CMCS advised that retailers rethink senior discount strategies. "Senior discounts have been overused because it is the easiest strategy for retailers to use, but because so many retailers use it, the effectiveness has been diminished."

Special services and sensitivity training are the avenues

Moschis believes would be more effective, even for discounters. The 65-plus age group are less likely to change their shopping habits once formed, so it is important to institute some sort of "Welcome Wagon" program for seniors, Moschis advised. "Once the retailer has made them feel comfortable in a particular environment, they are unlikely to change."

The AARP found that "Older consumers appear to be more trusting that businesses treat consumers fairly. The younger consumers are more likely than their older counterparts to believe that businesses attempt to mislead consumers and that they, themselves, are often actually misled." For instance, more than one out of five consumers 65 and older said they were "very trusting of salespeople" while about one out of 10 under 65 felt the same. Similarly, 22% of those 65 and older said businesses never attempt to mislead consumers while only 7% of the rest of those surveyed felt they were never misled.

Dependency Ratios of Elderly as a Percent of the Working Age Population (Age 16 to 64)

1950	13%
1960	16
1970	16
1980	18
1990 ¹	19
2000 ²	21
2020 ²	29
2030 ²	38

¹Estimate²1990 Bureau of the Census Projections

Source: First Chicago

In the years ahead, the older consumer is projected to grow not only in number, but in affluence

Senior Citizens: An Untapped Niche

Apparel, prescription drugs, home health care, home security, health & beauty care, craft & hobbies and lawn & garden are among the departments where retailers could be missing potential sales dollars from the older consumer of today and the future. Here are the facts:

- People aged 65 or older are the largest consumers of drugs and medical supplies. In 1988, the average person 65 and older spent nearly \$400 on drugs and close to \$100 on medical supplies, roughly twice the national average, according to *American Demographics*.

- \$2 billion or 14% of all toy dollars in 1991 were spent by grandparents. The highest concentration of purchases were among ride-on toys with 22% bought by grandparents, and video games the lowest at 7%, according to Ed Roth, analyst with NPD Research, Port Washington, N.Y. "Grandparents are less likely to buy technical toys, but will choose instead more traditional toys."

- Bruce Butterfield, research director of the National Gardening Association, Burlington, Vt., said retirees made 15% of all lawn & garden retail purchases last year, responsible for \$3.1 bil-

lion in lawn & garden sales. Average purchases per household totaled \$248.

Terry Thogode, divisional merchandise manager, H&BC at Jamesway, said the company recognizes that the population is aging and the requirements of these consumers need to be addressed.

In response, Jamesway is testing a new 12-ft. section of specialty goods for the older and/or disabled consumer, and Fisher's Big Wheel is testing goods from the same supplier. According to Thogode, "The only other place these items are available to customers are in specialty shops and medical supply stores."

While Thogode acknowledged that these goods are not expected to be fast turning, she said, "we have a responsibility to the community."

The test stores are the two new units opened earlier this quarter in Jamesway's latest prototype in Delaware. Early information indicates magnifying glasses have been one of the best sellers. The products include items like tub bars and clamps and canes. Prices range from \$3.49 to \$16.99.

"We've been picking up customers other than the elderly...Tub bars and clamps—those are real safety gadgets,

not just for older shoppers. Those items sell to a 35 and 40 year old customer."

The merchandise, supplied by Cane & Able, Edison, N.J., could be expanded to include other products, Thogode said. "Other areas that I could see fitting into this mode is in personal care. Items like massagers, blood pressure monitors, footbaths, stationery bicycles and treadmills could lend themselves to this category."

A spokesperson for Cane & Able noted that "The 60-plus market is 150% larger than the teen market and will double by the year 2,000, becoming almost 20% of the population."

While the entire H&BC area including incontinence products, pharmacy, and items like those from Cane & Able can be clearly identified as one which older people would need, other categories, like apparel, are more easily overlooked.

Many discounters have become so driven by the younger, highly fashion-conscious age segment, that clothing for senior citizens is almost entirely absent from certain stores.

One example was at the grand opening of a Target store in Northern Minnesota where as, one customer put it, "Just because I'm old

doesn't mean I want to dress old!" She had found that many of the stereotypically "younger" styles were not available in her size, and that the clothing which would fit her, were too bleak for her youthful fashion sense.

Thomas & Partners Co., Mature Market Specialists, said their studies indicated that "When it comes to fashion, 96% of the respondents felt the industry completely ignores the changing needs of the older woman," adding that "Levi's with its relaxed jeans comes closest to meeting the needs."

If a retailer has stores in a community where there are older homeowners, stocking and promoting more garage door openers, attic fans and home security products are likely to build sales since the Center for Mature Consumer Studies (CMCS) said these are among the products older homeowners are more likely to own than younger consumers.

The research further suggests that the best way to advertise to the older consumer is through circulars and ROP. "Print media are twice as effective as broadcast media in keeping older people informed about new products on the market," according to CMCS.

MERCHANDISING THROUGH THE AGES: 65 +

A Viable Consumer: Seniors Fill In The Gray Areas in Crafts

The precious commodities of discretionary dollars—and minutes—are most abundant with the 65 and older crowd and the craft & yarn business is a key way for senior citizens to spend both while creating gifts for grandchildren at the same time.

Craft, yarn & hobby were estimated to be a \$6.8 billion industry in 1991, up from \$6.5 billion in 1990, according to the trade association, Hobby Industries of America (HIA). The latest demographic data indicates that roughly one out of five women aged 65 who were involved in craft projects chose needlecrafts.

In fact, the older age segment was among the most active age groups in needlecrafts but were least involved in home decor crafts like stenciling, or wearable arts like fabric paint. In other words, the older consumer could help the craft & yarn industry build up sales in the areas which have experienced sluggish growth in recent years.

Retailers and manufacturers of craft yarn and other hobby supplies describe the older woman as one of the important building blocks in their marketing efforts, for good reason: In craft yarn alone, the 65 and over age group represented nearly 30% of total sales in 1991, according to the Market Research Corporation of America (MRCA) Consumer Diary Panel, with roughly the same percentage of those aged 51 to 64 yarn consumers. The remaining 40 percent was divided equally between persons aged 35 to 50 and those under 35 years of age.

The older panelists also bought more skeins, on average, than younger ones. While the 20- to 34 year-old group



Kmart, Levittown, N.Y., has begun to emphasize the yarn & crafts department as a growth area. (DSN photo)

The yarn and crafts industry feels that older women are the building blocks of their marketing efforts

bought an average of 1.5 skeins per capita, an average of 4.2 skeins per person were bought by those 65 and over.

Further indication of senior citizen involvement and interest in hobbies & crafts was evidenced by its popularity at the "Time of Your Life" Expo, a convention held in California to learn more about the leisure time activities of the 50-plus age group. During the convention, thousands of consumers are exposed to numerous manufacturer, retailer and services booths. Afterwards, a survey group of 1,000 is interviewed to rank the most popular or useful information gathered.

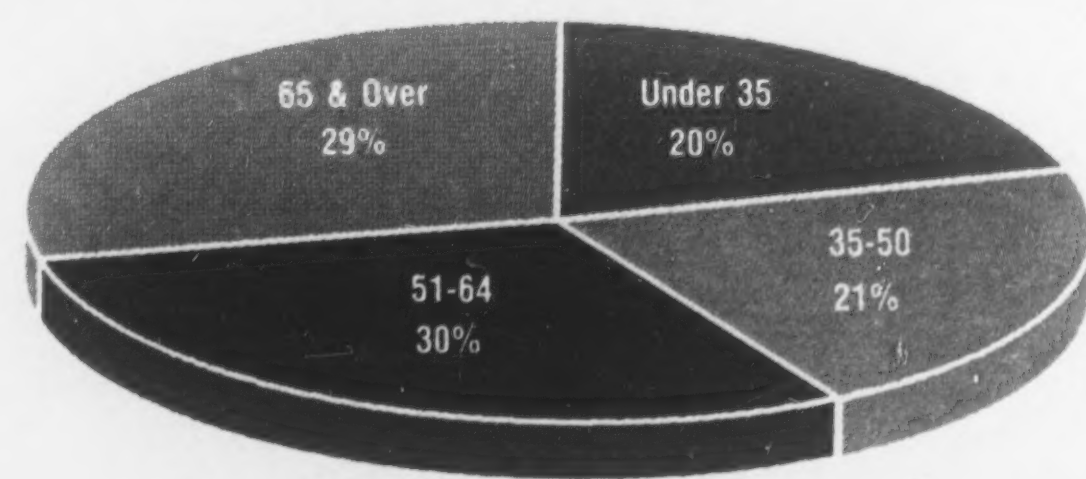
Hobbies and crafts tied for third place with health and medical products as the most popular areas of interest among the consumers. Roughly half said they were most interested in hobbies & crafts, surpassed only by travel (63%) and food and nutrition (61%).

Specialty chains like Michaels and Leewards, which describe the 65-plus age group as a "sizeable" portion of their business, have also found that this age group comprises a substantial portion of their craft classes. "They participate very heavily in classes," noted Jack Bush, president of Michaels. "The thing that impressed me is their interest in art like watercolors, pastels

The interest in creating gifts for grandchildren shapes the type of projects yarn manufacturers provide in conjunction with their products.

At New York-based Lion Brand Yarn, for instance, Jack Blumenthal in sales, noted that the company's Jiffy basic yarn depicts a grandmotherly woman on the label. "Many of the patterns supplied on the yarn bands are

1991 Craft Yarn Share By Age Group



Source: MRCA Consumer Diary Panel

and oils," he added, noting that these activities are especially time-intensive.

Tom Sigerstad, vice president, marketing with Michaels, said that nearly 20% of the chain's shoppers are aged 55 or older.

Much of the involvement in crafts and hobbies by senior citizens stems from their wish to be involved in the lives of their grandchildren by making homemade gifts and in sharing common pastimes. Marian Salzman, president, BKG Youth, a marketing firm, noted, "Grandparents have a bigger role in their grandchildren's weekend lives than in past generations. We feel strongly that stores should be doing more in-store promotions directed to grandparents with grandkids."

geared toward the older consumer. The older woman frequently undertakes afghans and other projects to give as gifts to her grandchildren."

While many older women are able to knit and crochet into their old age, others are sometimes beset with arthritis or other problems that restrict their ability to undertake fine work like cross-stitch and other needlework.

Jan Kahn, vice president, sales and marketing with Caron International, Rochelle, Ill., said projects created by Caron in conjunction with other members of the Craft Yarn Council of America, help senior citizens who may no longer have the dexterity to knit and crochet, still create home decor items with yarn.

Wal-Mart Taps Popular Mechanics Name

(Continued from page 5)
tool line to be on all stores' shelves by July or August. And it will take at least a year, and possibly two, to phase in that entire range of hardware products permitted under its Popular Mechanics licensing agreement. The chain has alerted store managers that Popular Mechanics products are coming soon.

As with the Promark brand, the Popular Mechanics brand of hand tools will offer a lifetime guarantee, much as Sears does with its Craftsman hand tools. No information is readily available about price levels for the Popular Mechanics hand tools, but the Promark brand sells for about half the price of comparable Craftsman tools.

Wal-Mart declined to comment about its Popular Mechanics program.

The Popular Mechanics PL program joins two other private labels Wal-Mart has launched over the past two years, Equate, now offering about 52 skus of health and beauty care products, such as non-aspirin painkiller and Sam's American Choice, a line of 21 food products, including cola, cranberry drink and chocolate chip cookies it introduced last November.

In March 1991, Wal-Mart

began carrying *Popular Mechanics*, the bible for a serious home, shop and auto repairman, at its checkouts. It discounts the magazine 15% to 20% from its newsstand price of \$1.95. So far, Wal-Mart has made no decision about advertising its new Popular Mechanics line in the magazine, said an advertising source there, although it did advertise other products in the April issue.

The Popular Mechanics deal marks the second licensing agreement Wal-Mart has signed with a Hearst magazine. Some two years ago, the chain licensed the *Sports Afield* name for a line of about 100 skus of sporting goods, such as camouflage hunting suits and boot socks.

In order to protect its image, *Popular Mechanics* is requiring Wal-Mart to submit for testing in its independent lab all products that will bear the Popular Mechanics name. Popular Mechanics already has tested hundreds of products, editor-in-chief Joe Oldham said.

It tested the handtools against Craftsman and found them equal to or better, he said. It also tested other supplies, such as toilet actuator parts, and concluded that they performed properly for the intended use, even though no

brand name parts were available for comparison.

Examples of products that will come in Popular Mechanics packaging are the 75 skus of electrical switches, plugs, outlets, and connectors from Leviton, Little Neck, N.Y. Wal-Mart already carries the line under the Leviton brand name.

Leviton will repackage the identical items, which will continue to carry just the Leviton brand name, in Popular Mechanics packages, said Karen Blumberg, a marketing specialist for the company.

The pricing hasn't changed, she said, and Leviton must start shipping by Aug. 1.

With a circulation of 1.64 million, *Popular Mechanics* boasts of the largest circulation of any men's service magazine in the home, shop and auto field, said David Graff, licensing director for Hearst magazines.

Founded in 1902, *Popular Mechanics* enjoys high name recognition, Graff said.

By licensing the name, Wal-Mart is "instantly acquiring a trademark that has believability and trust," he said.

In a recent Goldman Sachs research report, analyst George Strachan concluded that "Wal-Mart is increasingly breaking from a history of almost exclusive commitment to

national-brand products, expanding and improving its private-label offerings, positioning them with greater clarity and consistency, and marketing them more aggressively than ever before."

The new Wal-Mart products are premium controlled products, Strachan noted, and its Equate products "are handily outselling their national-brand equivalents in the stores."

Other Wal-Mart private label products include Ol' Roy dog foods, named after Sam Walton's favorite hunting dog, and Special Kitty cat foods.

Wal-Mart also offers American's Choice, a made in the U.S. recycled motor oil that sells for about 83 cents a quart; Fisherman's Choice fishing tackle, sourced from Korea, Japan and Taiwan; and Sportsman's Choice rain suits, ponchos and wadders, sourced from Thailand.

Under the Wal-Mart brand name, the chain also offers 18 products, including: paint (in about 200 stores), motor oil, filters, paper towels and charcoal lighter fluid.

Rather than take the higher margins from private label products as profits, Wal-Mart instead will use them to, in effect, subsidize the prices of nationally branded products, Strachan predicted, enhancing its reputation for selling quality products at the lowest price.

By mid-decade, Wal-Mart's private label hard lines and food products could produce \$2.6 billion in sales, Strachan predicted, compared to an estimated \$825 million this year.

The dozen or so hand tools in the discontinued Promark line were mostly sourced from Taiwan, Strachan noted. The Sam's American Choice products were priced an average of 25.8% below comparable national brands, while the Equate products enjoyed an average price advantage of 47.1% under national brands.

The Sam's American Choice products are either superior to the products they replace or offer unique features, said Bernard Sosnick, retail analyst for Oppenheimer & Co., New York. The Equate H&BC products are equal in quality to national brands, he added.

Rose's Posts Profit in 4Q

(Continued from page 1)
ports for the past two years, resulting in year-end operating profits for 1991 of \$15.4 million—a far cry from an operating loss of \$12 million the previous year.

Operating profits in the fourth quarter of 1991—which enabled the company to report a profit for the year—surged to \$25.7 million, from a loss of \$6.4 million in 1990.

But the financial reports must be footnoted with several important credits and charges influenced by changes in LIFO accounting and planned store closings for 1992.

The profit figures for 1991 were greatly impacted by what Rose's was calling "an internally generated inflation index" for calculating the LIFO charge. The LIFO effectively credited \$10.3 million to the year-end figure—while LIFO charges last year reduced operating profits by \$11.6 million. For the fourth quarter, 1991 was credited with \$17.5 million compared to

a charge of \$5.9 million in 1990.

Both 1991 and 1990 fourth quarter operating profits were similarly charged with store closing expenses. Fourth quarter operating profits of \$33.9 million include the planned cost of closing 15 stores (\$24.9 million) and remerchandising all remaining stores (\$9 million). Fourth quarter profits for 1990 had also been charged for proposed store closings (\$35.4 million).

The financial performance is expected to continue to improve as vendors—hearing word of the bank agreement—ease any shipping restrictions and enable the stores to be fully stocked.

The agreement with Rose's short-term lenders will provide up to \$69.4 million during the year ending May 31, 1993, and a peak facility of \$57.4 million during the following year. A \$51 million line of credit will be "automatically renewed for an additional year providing the company meets its business plan."

IMRA Conducts Benefits Survey

WASHINGTON — Many "standard" benefits, such as long-term disability insurance and paid dental insurance, are far from standard within retail companies, indicates the 1991-92 Executive Perquisite Report, a survey that the International Mass Retail Association conducts every two years.

Discounts on merchandise prove to be the most popular and most consistent across-the-board perquisite that discounters offer executives from chief executive officers and presidents down to assistant store managers.

About 90% of 12 levels of management get discounts, the benefits study found.

At the opposite end of the scale, none of those surveyed offer sabbaticals with pay to any level of management.

Discounters tend to treat their headquarters executives more generously, however, on some standard benefits than they treat their merchandising, field and store executives well, the survey results indicate.

For instance, 85.4% provide long-term disability insurance for their ceos and presidents, compared to 70.7% for top merchandise execs, 75.6% of top regional managers and 75.6% of store managers.

On the other hand, the gap between headquarters and merchandising, field and store execs and narrows—but still

varies—for those who offer profit sharing as a benefit. Of those surveyed, 36.6% offer it to ceos, 34.1% to buyers, 29.9% to field managers and 31.7% to store managers.

As could be expected, ceos and presidents get the edge on perquisites usually identified with the corner office, such as a company car for personal use and a reserved apartment or condo for travel to key cities.

Even within the four levels of headquarters management, benefits also vary substantially, the study finds.

In optical, for example, 29.3% offer it to ceos and presidents, 22% to level II officials, and 12.2% to senior management, level III, and general management, level IV.

Of total IMRA member-

ship, 36% responded to the latest survey, which covers 57 perquisites and benefits discounters could offer to four categories of executives: home office, merchandising, field and store.

The 57 categories range from such standard benefits as health insurance to deferred pay and child care assistance.

The survey fails to define the various levels of headquarters management below the ceo and president level. Nor does it disclose the actual number of discounters that participated in the survey.

IMRA members are entitled to receive one free copy and may purchase additional copies for \$45, plus \$3.50 postage and handling. The cost to non-members is \$85. Call IMRA at (202) 861-0774.

Leewards Seeks Payment Deferral

(Continued from page 8)
chain expects to reduce its working capital requirements by reducing inventory levels by \$9.3 million during the remainder of the year. Leewards will attempt to defer payments of its rents and renegotiate some of its leases.

Popple, who has called the cost-cutting agenda, "The Slim Fast Plan," has cut his own salary by 20% and two other members of senior management will have similar wage

cuts. The board of directors has authorized salary reductions for all employees earning more than \$40,000 per year. Employee benefits have also been modified and are expected to result in \$600,000 in annual savings.

Unaudited 1991 sales were \$158.5 million, up from \$130.9 million in 1990. Operating profits declined to \$3.9 million from \$4.4 million. A net loss of \$1.2 million compares with a net profit of \$27,000 in fiscal 1990.

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June 1, 1992

Wal-Mart Refines Ad Program

Lets Associates Star In TV Commercials

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has extended its use of store commercials its use of store employees and their families as models in ads, a promotional effort underway in monthly circulars since last fall.

Bill Fields, executive vice president, merchandise and sales, told security analysts at a recent meeting that the circular program "had a major positive impact on customers who would see associates that they knew in the stores appearing in the circulars.

We have received many letters from customers telling us that it is a terrific idea. Of course, the associates are extremely pleased with this program."

Use of employees and their families is part of the chain's ongoing refinement of its ad program, begun three years ago when Paul V. Higham, who had been at Target, joined the discounter as vp, marketing and sales promotion.

That effort now includes a new, cleaner, uncluttered look for circulars and greater use of national television as the discounter enters its next growth stage as a coast-to-coast chain. At the present time, there are only a

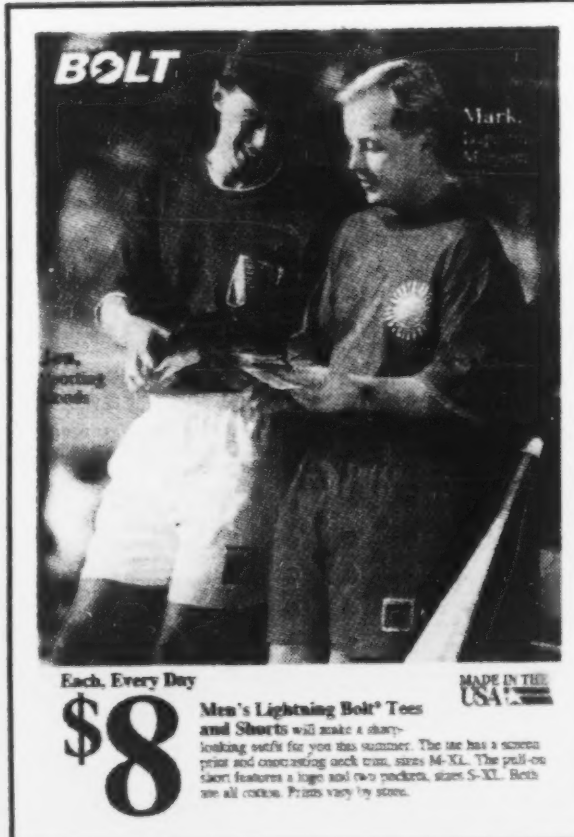
(Continued on page 19)

Plays Up California Growth in Circular

BENTONVILLE, Ark. — Wal-Mart played up its growing presence in California—it entered the state in 1990—by using employees or members of their families from eight of its 23 stores there as models in its April circular.

The discounter plans to open more new stores in California this year than in any other state, execs told security analysts in a recent meeting. About 50 Wal-Marts are planned for '92, with about 300 stores the goal there by '94.

(Continued on page 45)



Two Wal-Mart employees model men's wear in its circular.

IMRA Show Illustrates Vitality of Discounting

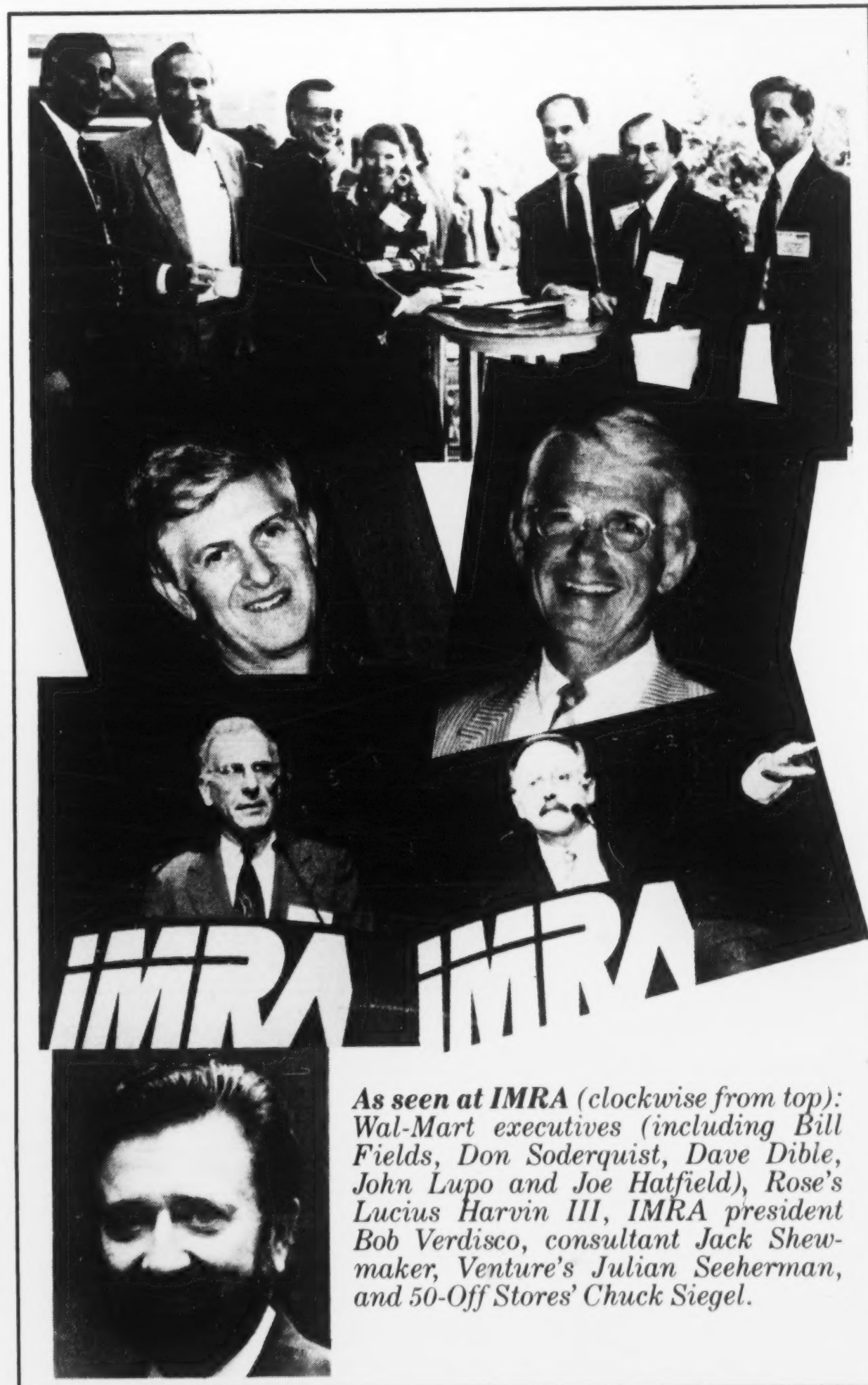
ORLANDO — The \$170 billion mass retail industry has led the economy's recovery, according to President George Bush who spoke to the more than 2,000 retailers, manufacturers and associated industry guests at the annual convention of the International Mass Retail Association here May 19.

Bush, who appeared via a video hook-up at the end of the four-day convention, introduced guest speaker General Norman Schwarzkopf, who gave a rousing speech on leadership skills.

Highlights of the convention included:

- The release of a new study on consumer buying behavior that found, among other things, that personal responsibilities have more influence over a consumer's shopping behavior than his or her gender;
- Partnership is still an important goal of the retailer/vendor relationship, but industry execs are widely split on the degree to which their counterparts are truly committed to such a relationship;
- Micromarketing, i.e., adapting individual stores to meet shoppers' specific needs, is gaining currency as the "cookie-cutter" approach to merchandising becomes outmoded;
- Interest, and concern, over retailers' extended use of private labels, at the expense of facings for national brands.

(Continued on page 45)



As seen at IMRA (clockwise from top): Wal-Mart executives (including Bill Fields, Don Soderquist, Dave Dible, John Lupo and Joe Hatfield), Rose's Lucius Harvin III, IMRA president Bob Verdisco, consultant Jack Shewmaker, Venture's Julian Seeherman, and 50-Off Stores' Chuck Siegel.

New Products Create Excitement at CES

By Pete Hisey

CHICAGO — While controversy swirls over the first appearance of actual consumers (up to 100,000 of them) at the Consumer Electronics Show, the real news is that the show will also feature the most dramatic series of major product introductions in several years.

The most eagerly awaited will be Apple's Newton, reportedly a lightweight, pen-based notebook computer that will retail at under \$1,000. Apple, showing for the first time here, has repositioned its products as consumer electronics, not computers, and refers to the Newton as a "personal digital assistant."

But Apple, the most visible of a large crop of new computer exhibitors, will not be alone in making major introductions.

Acros, the retail division of Acer Computers, will show a new multimedia "personal activity center" that combines CD-ROM, a telephone/TAD feature, AM/FM tuner, alarm clock, fax and several other functions into one compact unit that will sell for under \$2,500.

"The 380 will replace a whole desktop of machinery; fax machine, telephone, radio, and CD-ROM for the cost of a single computer," noted Acros vp, sales and marketing, Pete Janssen. The 380 joins a completely revamped series of 386 and 486 computers due to be introduced here.

Buyers will get their first look at production models of DCC (Digital Compact Cassette), and possibly Sony's Mini Disc, as the two digital formats prepare for a pre-Christmas war.

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MIXED STATES
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MS JENNIFER SW
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Retailers Lei Down Plans for Expansion Into Hawaii

By Arthur Markowitz

HONOLULU — Costco Wholesale has filed suit against the developer of a massive shopping center which has rejected the company as the project's anchor in favor of Sam's Club.

The 170,000-sq.-ft. Sam's Club, which is due to start op-

erating when the Hawaii Power Center opens in the fall of 1993, will be the first store of any kind unveiled by Wal-Mart in the islands. Costco and Toys 'R' Us already have stores in Honolulu and Kmart planned to open its initial island discount stores later this year or in early 1993.

(Costco last month issued a

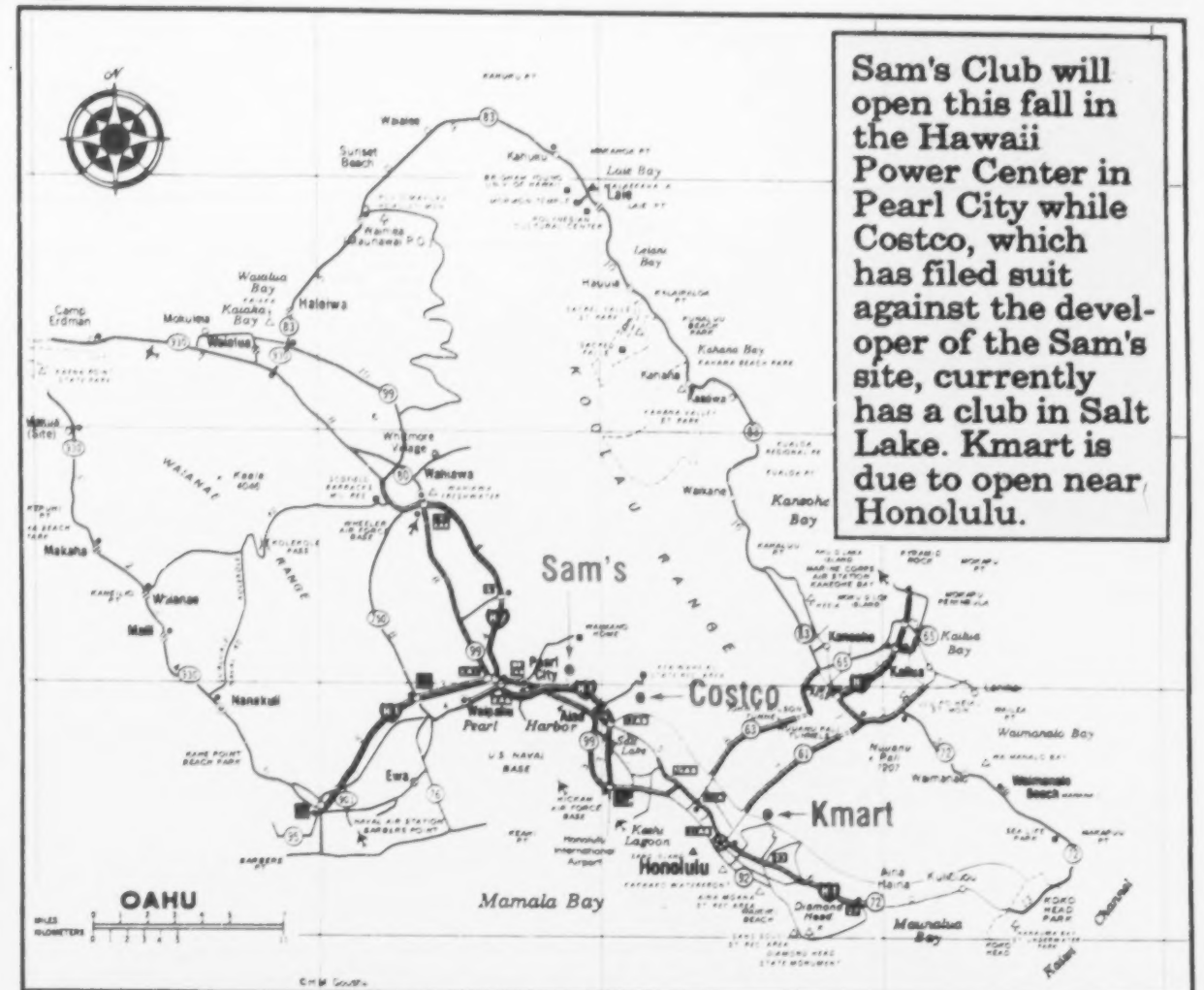
prospectus for \$200 million worth of 5.75% convertible subordinated debentures due 2002 and convertible into common stock at \$41.25 a share. It expects to net about \$197.3 million from the offer. Costco plans to use the funds for its expansion program, general corporate purposes and reduction of existing debt, the prospectus said.)

Costco had signed a letter of intent in July 1991 to lease space that would have made it the 170,000-sq.-ft. anchor in the 420,000-sq.-ft., three-level Hawaii Power Center on Kamehameha Highway. That club was due to open in the summer of 1993, according to a July 18, 1991, release from Terranomics, a San Francisco-based leasing agent for the developer, Pearl Highland Center Associates.

But Costco, in its suit filed in the First Circuit Court, contended that negotiations to reach a final agreement were ended in late April by Monroe & Friendlander, the shopping center's Honolulu-based leasing agent, because of "the existence of another [unidentified] prospective tenant."

Monroe & Friendlander "refused to disclose the reasons for their abrupt rejection of the lease," Costco said. The suit charged the developer, the Honolulu leasing agent and B & M (Hawaii) Inc., general partners of Pearl Highland, with acting "wholly, wantonly and maliciously with intent to damage" the wholesale club.

One source said that Hawaii Power Center "lost confidence" in Costco because of the length of time negotiations between the developer and the club were taking and that no lease had been signed after almost a year had passed. The deal was disclosed at a meeting of the In-



Many discount chains are competing for key locations in Hawaii, a market that is ripe for expansion.

Caldor to Build 2nd DC; Narrows 1st Qtr. Loss

NEWBURGH, N.Y. — Caldor is leasing a 500,000-sq.-ft. distribution center here, its second.

This Northeast regional discounter, based in Norwalk, Conn., also announced that it narrowed its pretax loss to \$6.7 million in its first quarter from \$35.2 million in the same three months of 1991.

Caldor expects to occupy the DC this September, said an executive for the developer, National Realty & Development. The distribution center has the potential of being expanded to 900,000-sq.-ft., he added.

The leased site is located in the Northeast Business Center, at I-84 and the New York Thruway. Caldor will be able to supply the entire northeast from the central location, the executive said.

Caldor operates 128 stores, including six opened in 1991. Sales last year totaled \$1.9 billion.

In the first quarter of this year, Caldor significantly narrowed its pretax loss from a year ago.

The 1991 pretax loss included payment of \$21.5 million in executive bonuses in connection with going public, indicating an operating loss of \$13.7 million.

Sales for the February to May quarter in 1992 rose 8.9% to \$412 million from \$378.7 million. Same store sales increased 3.1%, Caldor stated in its first quarterly sales and earnings report for its 1993 fiscal year.

"Total sales and earnings improved in spite of the tough Northeastern economic climate and the unseasonably cool spring weather," president Marc I. Balmuth, said in announcing the results.

"Inventories are under control," Balmuth said, "and the quarter ended in line with plans. During the first quarter, as a result of our continued focus on cost containment, selling, general and administrative expenses, as a percent of total sales, were reduced by 0.7%."

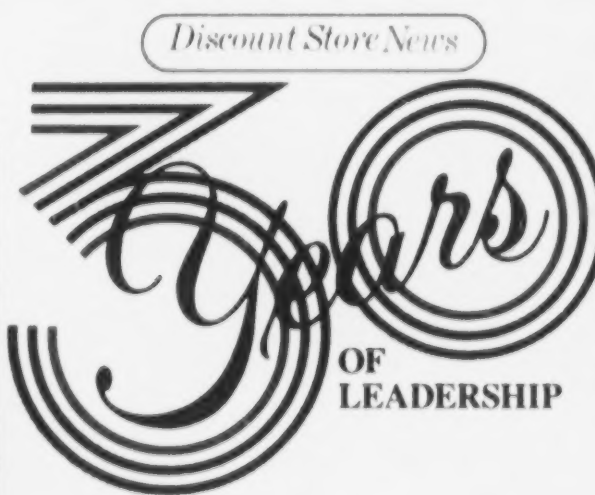
"In the months ahead we will continue to focus on proper merchandise assortments, value pricing and diligent cost containment."

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